

## EDCF PROFILE

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, EDCF assists developing countries by providing funding for their industrial development and economic stability.

The financial resources of EDCF consist of contributions and borrowings from the government as well as its own operational profits. As of December 31, 2011, EDCF raised a total of KRW 2,801.2 billion and disbursed a total of KRW 3,243.5 billion towards a cumulative loan commitment of KRW 8,125.3 billion.

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

Entrusted by the MOSF, Korea Eximbank conducts all EDCF operations such as project appraisal, loan agreement execution, loan disbursement and project evaluation.

## 2011 AT A GLANCE

IN 2011, EDCF SURPASSED PREVIOUS RECORDS IN TERMS OF EDCF PERFORMANCE WITH KRW 1,227.9 BILLION APPROVED AND KRW 509.7 BILLION DISBURSED FOR 28 PROJECTS.

### FINANCIAL INFORMATION

YEAR	(Unit : KRW Billion)				
	2007	2008	2009	2010	2011
Commitment	643.4	1,066.4	1,202.4	1,261.5	1,227.9
Disbursement	155.3	237.1	312.8	410.7	509.7

ACCUMULATED TOTAL AT YEAR-END	(Unit : KRW Billion)				
	2007	2008	2009	2010	2011
Commitment	3,367.2	4,433.6	5,636.0	6,987.4	8,125.3
Disbursement	1,773.2	2,010.3	2,323.1	2,733.8	3,243.5

TERMS OF EDCF COMMITMENT					
	2007	2008	2009	2010	2011
Grant element(%)	75.59	77.91	87.69	88.73	87.86
Average maturity(years)	30.53	32.11	38.50	39.57	39.11
Average grace period(years)	9.74	10.26	12.02	12.54	11.79
Average interest rate(%)	0.87	0.76	0.08	0.07	0.09

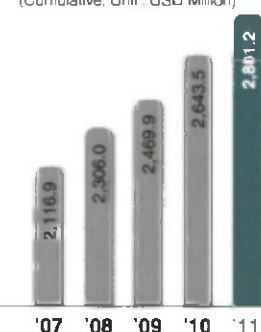
**EDCF Commitment**  
(Unit : KRW Billion)



**EDCF Disbursement**  
(Unit : KRW Billion)



**EDCF Resources**  
(Cumulative, Unit : USD Million)



## PROJECTS APPROVED IN 2011



### ASIA

#### Azerbaijan

- Vocational Training Center Establishment Project

#### Bangladesh

- Salvage Vessel Procurement Project (Supplementary Loan)
- Well Field Construction Project at Tetulzhora-Bhakurta Area of Savar Upazilla Project
- Replacement and Modernization of the Existing Railway Signaling System Project

#### Cambodia

- Improvement of National Road No.21 Project

#### Laos

- Establishment of Tax Revenue Information System Project

#### Mongolia

- National Diagnostic and Treatment Center Project

#### Pakistan

- Procurement of Equipment under the NTDC Development Program (Supplementary Loan)
- Malakand Tunnel Construction Project

#### The Philippines

- Samar Pacific Coastal Road Project

#### Sri Lanka

- Establishment of Colombo Central Vocational Training Centre and Gampaha College of Technology Project

#### Uzbekistan

- National Geographic Information System Creation Project

#### Vietnam

- Medical Equipment Supply to Central Region Center for Nuclear Medicine and Radiotherapy at Danang Hospital Project
- Medical Equipment Supply to Lao Cai General Hospital Project
- Solar Cell Project of Quang Binh Province
- Long Xuyen Sewerage, Drainage and Wastewater Treatment System Project
- Government Information Database Center Program

### AFRICA

#### D.R. Congo

- Remba Imbu Water Project

#### Ethiopia

- Suluta - Gebre Guracha Power Transmission Project

#### Ghana

- Prestea-Kumasi Power Enhancement Project

#### Mali

- Markala Sugar Project

#### Mozambique

- Strengthening of Technical and Vocational Education Project

#### Tanzania

- Construction of Zanzibar Irrigation Infrastructure Project

### AMERICA

#### Bolivia

- Beni River Bridge Construction Project
- Madre de Dios River Bridge Construction Project

#### Dominican Republic

- Establishment of ITS in Santo Domingo Project

#### Honduras

- Construction of South Regional Hospital in Choluteca Project

#### Nicaragua

- National Program for Sustainable Electrification and Renewable Energy



## EDCF HIGHLIGHTS 2011

MARKING KOREA'S ACCESSION TO THE OECD DAC, EDCF TOOK FURTHER STEPS TO MORE EFFECTIVELY PROMOTE DEVELOPMENT COOPERATION WITH PARTNER COUNTRIES AND REDUCE POVERTY IN DEVELOPING COUNTRIES.



### BUSAN THE 4<sup>th</sup> HIGH LEVEL FORUM

The Busan HLF-4 - which was held from November 29 to December 1 and involved more than three thousand delegates from nearly one hundred sixty countries as well as representatives from international and civil society organizations, businesses and foundations - established a new development architecture. The forum was originally convened to evaluate the progress made since the adoption of the Paris Declaration for Aid Effectiveness in 2005. Furthermore, Korean government desired to maximize the Busan HLF-4's impact, attempting to forge a new global consensus around 'development effectiveness' as an alternative to 'aid effectiveness'.

### THE PHILIPPINES-KOREA FORUM FOR PUBLIC PRIVATE PARTNERSHIP

The Philippines-Korea Forum for PPP held on June 29, 2011 in Manila, called attention to the importance of expanding trade and private investment in the Philippines. The Forum served as a springboard for increased infrastructure investments in the Philippines and provided Korean companies with business opportunities and essential information on the Philippines market.

On November 21, 2011, the governments of Korea and the Philippines signed an MOU for Stage II of the Jalaur River Multi-purpose Project. The project will be implemented by the Philippines under the PPP scheme. The project encompasses construction of a new dam in Iloilo to provide water for 32,000ha of land within the breadbasket of the Philippines and generate electricity for the region.



### THE 15<sup>th</sup> EDCF ANNUAL WORKSHOP

Established in 1995, the EDCF Annual Workshop has become a significant international cooperation event participated by government officials representing ministries overseeing ODA and representatives of project implementing agencies. During the workshop, EDCF introduces operational procedures and shares EDCF assistance strategies and visions. Over the years, the workshop has played a pivotal role in building and strengthening partnerships with various governments. In 2011, seven officials from the Philippines, Indonesia, Pakistan, Bangladesh, Ethiopia, Mozambique and Columbia participated in the workshop from May 29 to June 3.



### WORKSHOP AND ROUNDTABLE ON DEVELOPMENT EFFECTIVENESS

In September 29, EDCF held workshop (the Workshop) on 'Development Effectiveness : Growth and Aid' with participation of main figures from JICA, KfW, AFD, World Bank, etc. Most of experts in the Workshop agreed upon result-based aid and aid-scaling up on infrastructure. With the result of discussion in the Workshop, EDCF contributed to the preparation of the session on Inclusive Growth in HLF-4. Meanwhile, EDCF held 'Roundtable on Development' which was designed to invite the experts of development cooperation for the presentation and discussion of the current issues. In 2011, EDCF had roundtable conference with Dr. Kenneth KING from Edinburgh University, Mr. Mario PEZZINI from OECD Development Centre. etc.

### JOINT EVALUATION FOR SECURING OBJECTIVITY OF EVALUATION

EDCF collaborated with the government of Cambodia to jointly conduct an ex-post evaluation of the National Cambodia-Korea Vocational Training School Project. The stakeholders of Cambodia considered the evaluation to be objective as it frankly covered issues which needed to be supplemented. The joint evaluation conducted by EDCF and Cambodia contributed to improve mutual accountability and ownership of evaluation processes, to make development evaluation more responsive to needs and interests of Cambodia and to strengthen the evaluation capacity of Cambodia. EDCF plans to continuously expand joint evaluation with partner countries to strengthen the beneficiary-oriented evaluation and improve the effectiveness of evaluation.



### NEW EDCF LOANS SUPPORTING POLICY PROGRAMS OF PARTNER COUNTRIES

In order to foster sustainable development in partner countries, EDCF has encouraged ownership and strengthened capacity for development. A new loan format supporting policy programs of partner countries was first implemented in Vietnam in 2011. For sustainable economic development in Vietnam, EDCF participates in the Support Program to Respond to Climate Change (SP-RCC) in Vietnam with other donors, namely, JICA, AFD, WB, CIDA and AusAID. Of 14 priority policy actions in regards to climate change for 2011, EDCF is expected to focus on three specific targets: water resources, renewable energy development and waste management. EDCF provided approximately USD 30 million in concessional loan during 2011 for these efforts.

### REACHING OUT TO THE PEOPLE - SMILE TONJ PROJECT

To increase participation in projects which directly impacted the lives of people in partner countries, EDCF embarked on a landmark project named 'Smile Tonj'. The reason EDCF participated in the project was to share with the world the moving story of Father John Lee as well as the 'servant leadership' he embodied.

It is hoped that the project will be successfully implemented with the assistance of the people of Korea and South Sudan so that the spirit of servant leadership and love Father John Lee personified is spread throughout the world. The project will also be a valuable opportunity for EDCF to reach out to the nationals.



## MESSAGE FROM THE MINISTER OF STRATEGY AND FINANCE



WITH SINCERE HEART, KOREA WILL FAITHFULLY CONTINUE TO ADVANCE KOREA'S ODA PROGRAMS BASED UPON ITS UNIQUE DEVELOPMENT EXPERIENCE. BY DOING SO, KOREA WILL LIVE UP TO HIGH EXPECTATIONS OF THE GLOBAL COMMUNITY.



2012 marks the 25th year since the establishment of the EDCF. Over the years, we have undergone the Asian and global financial crisis. Through it all, Korea maintained its commitment to steadily increase the volume of EDCF support. In 1987, the year of EDCF establishment, EDCF provided only USD 23 million. In 2011, however, EDCF surpassed previous records in terms of EDCF commitment with USD 1,054 million approved and USD 437 million disbursed for 28 projects. In addition, EDCF expanded and diversified the scope of partner countries to encompass 20 countries in Asia, Africa, and Latin America.

*EDCF has also continued to make qualitative improvements.* Following the OECD DAC guidelines, untied aid has steadily been increased to account for 35.8% of EDCF support in 2011, and we aim to increase the proportion of untied aid to reach at least 50% by 2015. As for the systematic improvements, going beyond project loans, EDCF introduced our first program-based loan last year and we are about to launch the Support Program to Respond to Climate Change of Vietnam. In addition to these efforts, Korea has strived to effectively assist the development path of partner countries by establishing and executing Country Partnership Strategies (CPS).

The 4<sup>th</sup> High Level Forum on Aid Effectiveness held in Busan, Korea from November 29 to December 1, 2011, was a great opportunity to introduce the achievements and future policy directions of EDCF. The Forum proved productive in that we were able to confirm the high level of interest by the global community in Korea's unique development experience as well as our ODA model. Practical discussions on issues such as the Public Private Partnership and co-financing with MDBs were also highly beneficial. More importantly, at HLF-4, Korea contributed to a paradigm shift from 'aid effectiveness' to 'development effectiveness' and to bridging the gap between developing and advanced countries in the *international development cooperation community*.

After 25 years since its establishment, EDCF is now entering the life of adolescent. Reflecting on our previous experiences,

the Korean government plans to upgrade Korea's ODA system by initiating several improvement measures. Under the vision to become Asia's leading infrastructure development institution in the medium and long-term, EDCF will execute the following three main initiatives in the face of rapidly changing economic environments. Korea believes that the next couple of years will mark a strategic turning point in EDCF operations.

First, Korea will expand support for visible, large-scale infrastructure projects. To facilitate a big development push for partner countries, EDCF will support the socio-economic *infrastructure projects with a due consideration on sustainable and inclusive growth*. Korea will actively seek innovative financing schemes while promoting co-financing and PPP.

Second, Korea will make every endeavor to diversify assistance tools and improve the quality of EDCF projects. Following the adoption of program-based loans, EDCF plans to introduce sector loans and guarantee programs in this year. In addition, we will strengthen efforts to secure synergies between EDCF and other assistance programs, increase untied aid, improve lending conditions for Least Developed Countries (LDCs) and enhance aid predictability through expanded Framework Arrangements (FA).

Third, Korea will strengthen collaborations with advanced donor countries such as Japan (JICA), France (AFD), Germany (KfW), etc. and strive to increase the satisfaction of partner countries and project participants. To this end, we are currently expanding regular consultation meetings, and we try to achieve better management of EDCF projects, ensuring the timely completion of projects.

With sincere heart, Korea will faithfully continue to advance Korea's ODA programs based upon its unique development experience. By doing so, Korea will live up to high expectations of the *global community*. We look forward to your support and encouragement.



**BAHK JAEWAN, PH. D**  
Minister of Strategy and Finance

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



EDCF HOPES TO SERVE AS A TRUE DEVELOPMENT PARTNER FOR INCLUSIVE GROWTH SO THAT THE BENEFITS OF GROWTH ARE SHARED AMONG THE PEOPLE OF DEVELOPING COUNTRIES.



In 2011, the international community suffered from financial crisis in the Eurozone, ensuing global recession, and natural disasters aggravated by global warming. In spite of these difficult conditions, Korea increased ODA volumes by 15% over the last year and implemented follow-up measures to the G20 development consensus. In addition, Korea maintained its commitment to serve as a bridge between developing and developed countries by hosting the 4<sup>th</sup> High Level Forum on Aid Effectiveness in Busan, during which Korea had led discussions on strategies for effective development.

In line with the policies of the OECD DAC to expand ODA loans, EDCF committed KRW 1.23 trillion and disbursed KRW 510 billion. Specifically, EDCF expanded loan volumes to countries in Africa and Latin America while continuing to concentrate assistance to Asia. Support was targeted to SOC projects essential for economic development of developing countries as well as issues such as public health and education for the achievement of MDGs in the international community. In particular, EDCF increased the proportion of support to green growth projects in areas such as water resource, solar energy and wind power in order to assist developing countries struggling with the impacts of climate change in establishing a platform for sustainable growth.

In 2011, EDCF launched program loans to maximize development effectiveness and ownership in partner countries and increased funding for Future Carbon Fund in ADB in accordance with Asian countries' strategic response to the challenge of climate change. Furthermore, the launch of the EDCF-JICA-AFD meeting with the purpose of aid harmonization last year played a central role in strengthening development cooperation among ODA organizations and diversifying modalities for cooperation such as joint co-financing with AfDB. As EDCF project amounts have increased sharply since 2007 and the effects of such efforts are anticipated to bear fruit beginning in 2012, EDCF improved its evaluation system by adopting joint evaluation programs with partner countries and sector evaluation programs in order to enhance project effectiveness and accountability. In addition, the HLF-4 was successfully hosted

in the sense that partnership among advanced countries was increased to include developing countries and private sectors. A particularly significant development during the HLF-4 was that the paradigm of development cooperation was shifted from 'aid effectiveness' to 'development effectiveness'.

In 2012, EDCF will focus on development cooperation with partner countries to facilitate self-sustainable economic growth rather than merely provide assistance as a temporary act of kindness. To support self-driven economic growth of developing countries, EDCF will enhance governance and promote active government participation of partner countries through program loans. Moreover, EDCF will strive to identify Public Private Partnership projects related to large-scale SOC construction in developing countries to promote private investment. Furthermore, under the slogan of 'Beyond Aid', EDCF will enlarge the role of development aid beyond its current limits to maximize growth, investment and development effectiveness in developing countries. EDCF will also expand co-financing with MDBs and strengthen policy coordination with other ODA institutions for global issues such as climate change.

In all these efforts, EDCF will fully apply the lessons learned from Korea's development experience of having transformed from a recipient to donor country to effectively address current global issues. As a result, EDCF hopes to serve as a true development partner for inclusive growth so that the benefits of growth are shared among the people of developing countries.



**KIM YONG HWAN, PH. D**  
Chairman and President

# KEY ACRONYMS

## A to Z

### ADB

Asian Development Bank

### AFD

Agence Française de Développement

### AfDB

African Development Bank

### AusAID

Australian Agency for International Development

### BADEA

Arab Bank for Economic Development in Africa

### BOAD

Banque Ouest Africaine de Développement

### BOD

Busan Outcome Document

### CABEI

Central American Bank of Economic Integration

### CIDA

Canadian International Development Agency

### CIDC

Committee for International Development Cooperation

### CPS

Country Partnership Strategy

### DAC

Development Assistance Committee

### EBID

ECOWAS Bank for Investment and Development

### ECOWAS

Economic Community of West African States

### EDCF

Economic Development Cooperation Fund

### EIB

European Investment Bank

### HLF-4

The 4<sup>th</sup> High Level Forum

### ICT

Information & Communication Technology

### IDB

Inter-American Development Bank

### IFAD

International Fund for Agriculture Development



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**IMF**

International Monetary Fund

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**IsDB**

Islamic Development Bank

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**ITS**

Intelligent Transportation System

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**JICA**

Japan International Cooperation Agency

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**KfW**

Kreditanstalt für Wiederaufbau

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**KOICA**

Korea International Cooperation Agency

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**Korea Eximbank**

The Export-Import Bank of Korea

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**KSP**

Knowledge Sharing Program

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**MDBs**

Multilateral Development Banks

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**MDGs**

Millennium Development Goals

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**M&E**

Monitoring & Evaluation

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**MOSF**

Ministry of Strategy and Finance

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**MOU**

Memorandum of Understanding

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**ODA**

Official Development Assistance

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**OECD**

Organization for Economic Cooperation and Development

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**O&M**

Operation & Maintenance

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**OPEC**

Organization of Petroleum Exporting Countries

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**PBA**

Program-based Approach

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**PD**

Paris Declaration

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**PPP**

Public Private Partnership

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**RBM**

Result-based Management

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**SFD**

Saudi Fund for Development

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**SOC**

Social Overhead Capital

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**WB**

World Bank

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# EDCF ACTIVITIES IN 2011

Marking Korea's accession to the OECD DAC, EDCF took further steps to promote development cooperation with partner countries more effectively. In 2011, EDCF surpassed previous records in terms of EDCF performance with USD 1,054 million approved and USD 437 million disbursed for 28 projects.

14	POLICIES AND DIRECTIONS
18	OVERVIEW OF 2011 EDCF ACTIVITIES
20	2011 EDCF ACTIVITIES BY ODA KEYWORDS
34	EDCF PROJECTS APPROVED IN 2011
40	EX-POST EVALUATION IN 2011
49	EDCF FUNDING RESOURCES





# POLICIES AND DIRECTIONS

## INTERNATIONAL TRENDS IN DEVELOPMENT ASSISTANCE

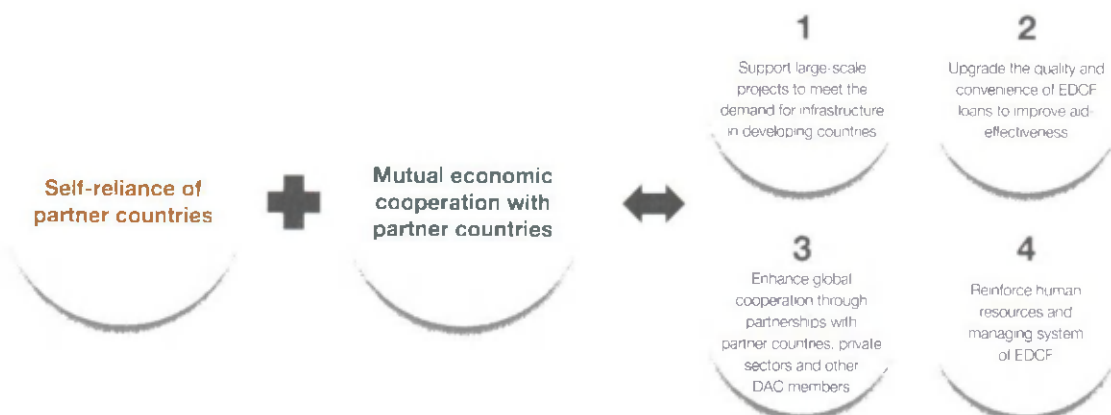
International trends in ODA have changed due to changes in global issues such as the global economic crisis, security, environment, poverty and green growth. Although ODA previously focused on aid effectiveness, the focus is shifting in recent years to further support the development plans of partner countries, especially SOC investments which increase public wealth.

In the 21<sup>st</sup> century, under growing consensus that the MDGs are top priorities of ODA, many international institutions and agencies of development aid are actively working to achieve the MDGs. In order to expand aid volumes, each member of the OECD DAC agreed to increase aid by up to 0.7% of GNI and PPP gets to be essential for the success of large-scale projects. During HLF-4 in Busan, Korea in November 2011, Korea, as host, seized the initiative of preparing detailed action plans for aid effectiveness, harmonization, cooperation among the various organizations to address the problems of segmentation & overlap.

## EDCF POLICIES AND DIRECTIONS

Although many developing countries have struggled to alleviate poverty as a result of global economic crisis originating from Europe & the US, EDCF has achieved its goals thanks to increased ODA loan amounts and systematic loan improvements elevating the nation's status. EDCF established the Mid-term Policy Direction and supplemented it with the implementation development strategy not only to make a unique support strategy from those of other DAC countries but also to effectively achieve the MDGs.

EDCF set its development visions of 'self-reliance of partner countries' and 'mutual economic cooperation with partner countries'. In accordance with these visions, EDCF established four core operation policies as a representative financial agency specialized in infrastructure development in Asia. (1) Support large-scale projects to meet the demand for infrastructure in developing countries, (2) upgrade the quality and convenience of EDCF loans to improve aid-effectiveness, (3) enhance global cooperation through partnerships with partner countries, private sectors and other DAC members, (4) reinforce human resources and managing system of EDCF.





## EDCF MAIN ACHIEVEMENTS IN 2011

In line with measures for advancement of international development cooperation and basic plans, EDCF achieved quantitative and qualitative goals of supporting socio-economic infrastructure development and executing related institutional improvement.

### INCREASED SUPPORT FOR STRATEGIC PROJECTS

#### Expansion of the scale and scope of aid

New projects approved by EDCF as part of efforts to expand ODA as a member of the DAC totaled KRW 1,227.9 billion. Regionally, support for Asian countries was maintained at similar levels while the proportion of aid for Africa, Central America and South America was increased from 37% to 44% due to the potential for economic development and cooperation.

#### Implementation of large-scale infrastructure projects and promotion of PPP

In line with growing EDCF support volumes, EDCF developed and supported landmark projects exceeding USD 100 million. As a result, the proportion of large-scale projects exceeding USD 50 million increased to 30% of the total number of projects. In the case of the Vam Cong Bridge Construction Project (Vietnam), support for the project totaled USD 2 billion, the largest support amount for a single project. EDCF made efforts to develop PPP projects as participation of the private sector is increasing in importance for project execution efficiency. As a result of increased PPP, EDCF was able to make systematic improvements and improve investment conditions.

#### Increased support for green growth

EDCF increased the proportion of support dedicated to green growth projects from 23% to 35%. EDCF identified and supported projects in areas of photovoltaic power generation, renewable energy and intelligent power grids to facilitate sustainable economic growth in developing countries. EDCF also contributed to the faithful implementation of commitment to the ADB future carbon fund as Korea is a leading country in green growth and efforts to mitigate climate change.

### ADVANCEMENT OF THE EDCF SUPPORT SYSTEM

#### Introduction of program loans & lower restrictions for untied loans

Departing from project-centered aid policies, EDCF introduced program loans to maximize ownership by partner countries and aid effectiveness. EDCF is currently implementing the Vietnam Climate Change Program Loan Project with advanced ODA agencies of Japan, France, etc. In order to perform the non-binding recommendations of the international community after accession into the OECD DAC, EDCF increased its untied loan ratio for the poorest countries and will be providing 100% untied loans for those countries by 2015.

#### Establishment of CPS & promotion of participation by relevant agencies

To establish an advanced support system in consideration of the strategies of developing countries and Korea's comparative advantage, EDCF established CPS for partner countries such as Vietnam, Ghana and the Solomon Islands and took measures to prepare CPS for partner countries such as the Philippines and Bangladesh. In order to increase aid

# POLICIES AND DIRECTIONS

effectiveness and address the problem of aid fragmentation, EDCF held two meetings with related agencies to conduct a joint survey of demand and to discuss the establishment of an inter-agency cooperation system.

## STRENGTHENED GLOBAL COLLABORATION

### HLF-4 hosted in Busan

To increase consensus for aid effectiveness, one of the main agendas of HLF-4, EDCF held an international workshop with major donor nations such as Japan, Germany, France, etc. on September 2011 and discussed expansion of PPP. The workshop was also aimed to contribute to enhance global awareness of EDCF through general meetings regarding climate change finance, inclusive growth, and so on.

### Partnership establishment with other donors

EDCF established a foundation for cooperation and partnership with JICA and AFD in the form of a 3-party working-level consultative group. The group enabled identification and development of international cooperation projects such as the Vietnam climate change program.

## OTHER MAJOR EDCF IMPROVEMENT PROGRAMS

### Formation of a joint consultative group for SOC projects

EDCF will form a joint consultative group for SOC projects among EDCF - Korea Eximbank - developing countries to actively meet the needs of infrastructure development in partner countries and support project participation by Korean enterprises. Furthermore, EDCF will provide

comprehensive services by linking various financing techniques of Korea Eximbank such as export credit and guarantees with policy dialogue channels of EDCF in order to identify promising SOC projects in developing countries.

### Introduction of a new EDCF guarantee program

Responding to rapidly growing demand for infrastructure development in developing countries, utilization of private capital in ODA programs is essential. Therefore, EDCF will add a new guarantee program among its financing programs to diversify ODA modalities for partner countries and combine concessional loans with advanced financing techniques to increase specialization in concessional loans.

### Linkage among EDCF-KSP-MDB trust funds

EDCF plans to establish an integrated ODA system to advance from the current individual project support system. An integrated ODA system will be comprised of various ODA modalities such as loans, grants and bilateral/multilateral cooperation including KSP and MDBs trust funds. Through this unique and comprehensive system, EDCF will reinforce its status as the only aid agency in Korea to have such a comprehensive program.

## EDCF MAIN ACHIEVEMENTS IN 2011

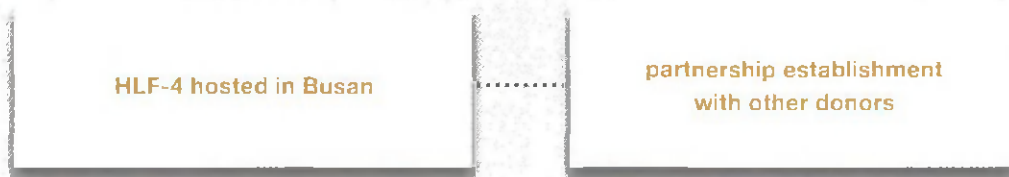
### INCREASED SUPPORT FOR STRATEGIC PROJECTS



### ADVANCEMENT OF THE EDCF SUPPORT SYSTEM



### STRENGTHENED GLOBAL COLLABORATION



### OTHER MAJOR EDCF IMPROVEMENT PROGRAMS



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# OVERVIEW OF 2011 EDCF ACTIVITIES



## COMMITMENT BY REGION

● Asia	54.8 %
● Africa	29.1 %
● America	16.1 %



## COMMITMENT BY SECTOR

● Transportation	29.1 %
● Energy	18.2 %
● Water supply & sanitation	15.1 %
● Public health	10.6 %
● Government & civil society	9.5 %
● Agriculture, forestry & fishing	7.1 %
● Education	6.3 %
● Communications	4.1 %

## LOAN COMMITMENT

### COMMITMENT

EDCF committed KRW 1,227.9 billion (USD 1,054.0 million) in new loans to 28 projects in 20 countries during 2011. As of the end of 2011, accumulated EDCF commitment reached KRW 8,125.3 billion (USD 7,291.2 million) for 277 projects in 49 countries.

### COMMITMENT BY REGION

The largest portion of new commitment in 2011 was extended to Asia, reflecting Korea's close economic and diplomatic ties with many Asian countries. Loan commitment to Asian countries accounted for 54.8% of new loans for the year and two of the top three partner countries were Asian countries. Vietnam was the largest one as an individual

partner country for five consecutive years with a total commitment of KRW 211.7 billion. Pakistan ranked second largest with KRW 99.2 billion and Ethiopia ranked third with KRW 91.3 billion. In terms of regional distribution, Africa took second place with 29.1% of new commitment in 2011, reflecting EDCF efforts to expand into Africa. Meanwhile, 16.1% of the year's commitment went to Latin America.

### COMMITMENT BY SECTOR

New commitment to economic infrastructure such as transportation (29.1%), energy (18.2%) and communications (4.1%) continued in 2011. At the same time, in line with international efforts for the MDGs, new commitment were also made to social infrastructure projects aiming to improve services such as water supply and sanitation (15.1%), public health (10.6%) and education (6.3%). In the future, EDCF also plans to allocate a substantial portion of

EDCF loan commitment for the year reached KRW 1,227.9 billion. EDCF loan disbursement for 2011 increased by 24.1% compared to the previous year to KRW 509.7 billion. In accordance with the Korean government's ODA expansion plan, this trend is expected to continue into the future.



#### DISBURSEMENT BY REGION

● Asia	79.8 %
● Africa	13.1 %
● America	4.0 %
● Europe	3.1 %



#### DISBURSEMENT BY SECTOR

● Transportation	51.1 %
● Education	12.3 %
● Water supply & sanitation	10.2 %
● Public health	9.7 %
● Energy	6.6 %
● Communications	4.4 %
● Agriculture, forestry & fishing	2.6 %
● Government & civil society	2.0 %
● Unallocated	1.1 %

financial resources to sectors related to the environment and agriculture in response to increased demand in partner countries and global concerns about climate change and environmental degradation.

## LOAN DISBURSEMENT

### DISBURSEMENT

Loan disbursement totaled KRW 509.7 billion (USD 460.3 million) for 84 projects in 25 countries during 2011, representing a 24.1% increase from the previous year. This growth rate is expected to continue to increase in the future based on recent significant increases in commitment. Cumulative EDCF loan disbursement totaled KRW 3,243.5 billion, or 39.9% of total commitment. Of 277 committed projects, 213 received disbursement. At the end of 2011, the outstanding balance for EDCF totaled KRW 2,776.9

billion, approximately 17.5% more than KRW 2,364.1 billion recorded at the end of 2010.

### DISBURSEMENT BY REGION

By region, Asia (79.8%) was the largest borrower for the year, followed by Africa (13.1%). By country, Vietnam was the largest borrower with KRW 128.9 billion, followed by Bangladesh, Cambodia and Sri Lanka.

### DISBURSEMENT BY SECTOR

Of total loan disbursement made in 2011, the transportation sector accounted for 51.1%, followed by education (12.3%), water supply & sanitation (10.2%) and public health (9.7%). These loan disbursement provided support for economic development and helped to enhance the quality of life in partner countries.

# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## HARMONIZATION

### BUSAN THE 4<sup>th</sup> HIGH LEVEL FORUM (HLF-4) ON AID EFFECTIVENESS

The Busan HLF-4 - which was held from November 29 to December 1 and involved more than three thousand delegates from nearly one hundred sixty countries as well as representatives from international and civil society organizations, business and foundations - established a new development architecture. The forum was originally convened to evaluate the progress made since the adoption of the Paris Declaration for Aid Effectiveness in 2005.

The Paris Declaration concluded with fifty-six partnership commitment and twelve evaluation indicators that donor and partner countries agreed to implement by abiding by five core principles: ownership, alignment, harmonization, managing for results and mutual accountability.

And also at the 2008 Accra Forum, thirty four provisions of Agenda for Action on the Paris principles were agreed.

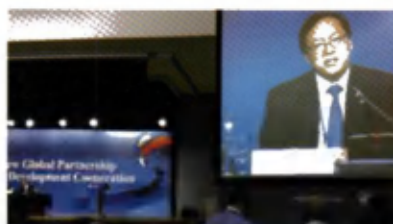
The diversity of views among participating countries made it more difficult to achieve meaningful consensus. Traditional donors, especially the European Commission, asserted that the principles of aid effectiveness are 'the best we have yet'

and favored bolstering the Paris principles over refashioning aid norms. Emerging donors such as China, Brazil, Russia and India contended that traditional donor standards should not apply to them. They argued that existing international agreements regulating north-south cooperation should be viewed separately from those that govern south-south cooperation.

Developing nations insisted on making their country systems have (e.g., public finance management and local procurement) the default option for aid implementation. Both Korea and the US took a more flexible stance toward aid effectiveness, advocating a new approach designed to achieve significant poverty reduction. Furthermore, Korea desired to maximize the Busan HLF-4's impact, attempting to forge a new global consensus around 'development effectiveness' as an alternative to 'aid effectiveness'.

The Busan Outcome Document (BOD) ultimately reflected compromise among these various positions. The paradigm of international development cooperation was transformed from 'aid' to 'development' as echoed in the intervention of the participants at the closing ceremony.

Korea's role and contributions as the host country were widely acknowledged. Among post-World War II independent countries, Korea is the only nation to have transformed from





an aid recipient to a donor country, demonstrating that aid does indeed have a positive effect. Korea received more than USD 12 billion in aid from 1945 to the 1990s. With its own development experience of using aid successfully as part of its development and modernization, Korea led the promotion of the 'from aid to development' paradigm shift. Korea also helped to achieve agreement on 'differential commitment'. Korea, with the US, played leading roles in the inclusion of gender empowerment in the BOD. Moreover, Korea acted as a bridge between emerging and traditional donors. Korea will also help include UN agencies like the UNDP and UNDCF in the processes for establishing the global partnership.

### TRILATERAL MEETING AMONG EDCF, JICA AND AFD

In 2011, EDCF established the trilateral consultative body with JICA and AFD to strengthen cooperation in ODA. JICA and AFD accepted EDCF's proposal for regular trilateral meetings regarding cooperation and knowledge sharing of development cooperation.

During the two-day inaugural meeting of the Trilateral Consultative Body from October 27 to 28 at JICA headquarters in Tokyo, policies and case studies regarding climate change and PPP were introduced and discussed in depth. In particular,

policy agendas in the field of renewable energies and waste disposal facilities were intensively discussed for the second stage of the climate change adaptation program in Vietnam to be implemented from 2012 to 2015.

As a result of the establishment of the trilateral body, EDCF was able to hold early consultations on the main agenda for international development cooperation with other agencies. In this regard, the foundation for substantial policy cooperation upon G20 Development Agenda, HLF-4 issues as well as climate change and PPP was properly built up.

In connection with the trilateral meeting, EDCF expanded international networks and strengthened relationships with development cooperation agencies AFD and KfW in 2011 as well as JICA in 2006.

### EDCF PARTICIPATION IN 2011 DAC MEETINGS

After accession into the DAC in 2010, the Korean government made great efforts to expand participation in DAC activities. As the representative organization of Korean ODA, EDCF participated in various DAC meetings and shared knowledge regarding ODA loans and Korea's successful development experience.



# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## HARMONIZATION

In 2011, EDCF activities regarding the DAC largely fell into two categories: contribution to ODA statistics and preparation for HLF-4 in Busan, Korea.

During meetings of the DAC Working Party on Statistics (WP-STAT) in February and June, EDCF pledged support for DAC activities such as implementation of new aid typology, improvement of the reporting system of tying status and revision of categories and code definitions. After the Korean government officially designated EDCF as the management agency for ODA statistics in 2010, EDCF's role in Korean ODA statistics increased and continued to actively participate in WP-STAT meetings.

With the HLF-4 slated to be held in Korea in November 2011, HLF-4 was a major agenda in DAC meetings. During Executive Meetings of Working Party on Aid Effectiveness (WP-EFF) in March, July and October, the Korean government and EDCF presented arrangements and selected issues for discussion during HLF-4. Korea's participation in sessions regarding climate financing, inclusive growth, etc. during HLF-4 was coordinated in OECD meetings on WP-EFF.

EDCF's contributions regarding DAC Meetings in 2011 were significant in that Korea was chosen to organize HLF-4 in

collaboration with DAC member countries. Through greater participation in DAC activities, EDCF is better positioned to contribute to global development cooperation.

## PUBLIC PRIVATE PARTNERSHIP

PPP is a new generation aid provision strategy which utilizes the synergy created through partnerships between the government and the private sector for large-scale infrastructure development. In order to assist developing countries to achieve economic growth and sustainable development, private-sector investment is vitally important as it spurs job creation, technological advancement and private-sector promotion.

PPP is an excellent method of funding basic infrastructure projects in transport, power, energy, etc., provides a solution for the problem of insufficient government funds, and supplements the weaknesses in investment methodology and capacity of the private sector.

The Philippines-Korea Forum for PPP held on June 29, 2011 in Manila, called attention to the importance of expanding trade and private investment in the Philippines. The Forum served as a springboard for increased infrastructure investments in the Philippines.



On November 21, 2011, the governments of Korea and the Philippines signed an MOU for Stage II of the Jalaur River Multi-purpose Project. The project will be implemented by the Philippines under the PPP scheme. The project encompasses construction of a new dam in Iloilo to provide water for 32,000 hectares of land within the breadbasket of the Philippines and generate electricity for the region.

## EXPANDING CO-FINANCING WITH MDBs

In 2011, EDCF identified five projects for co-financing with MDBs. Of the USD 172 million earmarked for the five projects, USD 27.2 million and USD 25 million were approved this year for the Sustainable Electrification and Renewable Energy in Nicaragua and the Markala Sugar Project in Mali, respectively.

Funding for the remaining projects is anticipated to be approved in 2012. These projects clearly demonstrate increasing cooperation with MDBs for co-financing.

Significantly, the Support Program to Respond to Climate Change in Vietnam was the first program loan co-financed by EDCF and WB.

The Korean government has steadily increased EDCF loans. As of December 2011, the government approved a total of USD 891 million in EDCF loans for 24 co-financing projects.

EDCF most actively implemented co-financing projects with ADB due to ADB's geographic proximity and active cooperation. EDCF and the ADB co-financed 11 projects at a total of USD 581 million. Co-financing between EDCF and the ADB accounted for 65% of total EDCF co-financing commitment. Co-financing commitment with AfDB, WB and IDB amounted to USD 144 million (six projects) USD 76 million (three projects) and USD 52 million (three projects) respectively.

This year is particularly meaningful because EDCF promoted sector diversification of EDCF projects and strengthened partnerships with MDBs by developing joint co-financing strategies supporting multi-national regional development and large-scale infrastructure projects.

In line with this strategy, EDCF signed an MOU with the ADB in May, 2011 for sector diversification of projects, joint co-financing and increased commitment amounts.





# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## RESULTS & ACCOUNTABILITY

### EDCF EVALUATION FOR RESULT-BASED MANAGEMENT

Since 2007, the number and size of EDCF loan projects have rapidly increased. Considering that the average project implementation period is three to five years, the impact of EDCF projects executed after 2007, will begin to become visible during and after 2012. As such, it is necessary to accurately and objectively evaluate the results of implemented loan projects to improve EDCF project effectiveness and accountability.

Prior to 2000, the international development cooperation community mainly evaluated the output of assistance activities, but after 2000, the results of the entire process of development assistance were taken into consideration. Thus, the evaluation became regarded as an essential and effective management tool for producing better results in terms of RBM.

Therefore, for successful RBM of EDCF activities, the evaluation and feedback process – analyzing results of its activities, proposing lessons and recommendation and reflecting suggested recommendations in future activities – is important. In 2011, EDCF made various efforts to improve the EDCF evaluation system through increased expertise and evaluation objectivity.

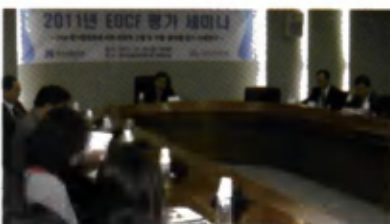
### HARMONIZATION OF EVALUATION STANDARDS

In addition to efforts made by Korean government to enhance ODA evaluations, such as introducing an integrated evaluation system under CIDC, EDCF made efforts to harmonize its evaluation criteria and methods with international standards. To diversify the types of evaluations from project evaluation to country, sector and thematic evaluations, EDCF revised internal regulations.

To enhance the quality of each evaluation, regulations regarding evaluation target projects were revised to allow the selection of target projects based on necessity and cost effectiveness rather than ex-post evaluations of all projects that three years passed after completion. Also, to conduct efficient and effective evaluation, EDCF prepared the EDCF Evaluation Manual encompassing evaluation methods and detailed processes of evaluation.

### INTRODUCTION OF SECTOR EVALUATIONS

In the past, EDCF mainly conducted project-level evaluation. In 2010, EDCF diversified the type of evaluation by adopting country evaluation. In 2011, EDCF initiated sector evaluation to assess EDCF's contribution to development of certain sectors. EDCF selected water supply and sewerage sector



to evaluate EDCF's approach towards related policies and strategies and several related projects in various countries. Sector evaluations provided useful recommendations regarding investment strategies in the water supply and sewerage sector, an area Korea has a comparative advantage, and development of ODA contents such as improvement of water flow rate of partner countries.

### **JOINT EVALUATION WITH PARTNER COUNTRIES**

OECD DAC recommended joint evaluations with partner countries to improve mutual accountability and ownership of evaluation processes, evaluation responsiveness of partner country needs and interests, and evaluation capacities of developing partner countries. In this context, EDCF conducted a joint evaluation of the National Cambodia-Korea Vocational Training School Project in 2011. To carry out the joint evaluation between EDCF and Cambodia, both countries established and signed an evaluation framework which encompassed objectives, stakeholders, methodology and the process of evaluation. When the initial evaluation results became available, an evaluation workshop was jointly held in Phnom Penh and was attended by approximately 50 participants from Cambodia and Korea. The opinions of stakeholders were reflected in the final evaluation report. The entire process of joint evaluation was viewed to have contributed to the enhancement of ownership of Cambodia and mutual accountability.

### **DEVELOPMENT OF EVALUATION CAPACITY**

To learn advanced evaluation methods of ADB's Independent Evaluation Department (IED), a joint seminar was held by EDCF and IED in May 2011 for knowledge sharing of IED

strategies, methods of conducting country, sector and special evaluations, the Evaluation Information System (EVIS) and private sector evaluations. During the seminar, EDCF provided information on EDCF's evaluation system to increase awareness of EDCF in the international development cooperation society. As part of efforts to increase evaluation capacity, the first EDCF Evaluation Seminar was held in November with the themes of critical review on traditional evaluation criteria and case studies of country and sector evaluations of ADB. EDCF also made efforts to expand cooperation networks regarding ODA evaluations by participating in various evaluation conferences such as the OECD DAC Evalunet Meeting, the Conference on Improving Aid Effectiveness through Impact Evaluation, etc.

### **ESTABLISHMENT OF THE ODA MONITORING SYSTEM**

According to the integrated evaluation plan of CIDC, the government of Korea decided to establish the ODA Monitoring System and designated EDCF as the organization in charge of developing the system. EDCF collected information on ODA activities of government agencies, established a standard ODA cycle, and drafted an agreement on the layout and detailed items of the system. The establishment of the ODA Monitoring System was completed in December and is anticipated to prevent overlapping assistance through shared ODA project information among agencies. The System is also expected to improve effectiveness of Korean ODA.

# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## ENVIRONMENT

### EDCF PROGRAMS SUPPORTING GREEN GROWTH

The Korean government adopted the 'Low Carbon, Green Growth' strategy as a national vision and announced the 'Green ODA Plan' in 2009. Under the plan, green ODA is to account for 20% of total Korean ODA by 2013 and is to be steadily increased to 30% by 2020. The management of EDCF is in full accordance with this 'Green ODA Policy'. EDCF plans to provide USD 1.5 billion in green ODA from 2009 to 2012, with a focus on water resources, renewable energy and waste management.

EDCF efforts will result in an increased proportion of green ODA to the total amount of ODA, from 22% in 2010 to 33% in 2011. By sector, EDCF has mainly supported water resource projects such as water supply and sewerage systems, which account for 45% of green ODA projects, as well as energy projects such as solar cells and renewable energy. Total commitment to green ODA projects since 1987 is USD 1.5 billion and accounts for 22% of overall EDCF commitment.

In 2011, 8 green projects totaling USD 351 million have been approved:

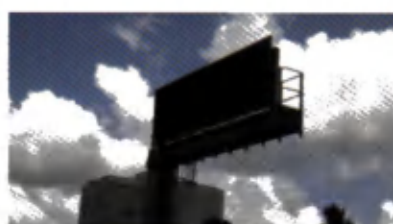
- Establishment of ITS in Santo Domingo Project in Dominican Republic (USD 36 million)

- Solar Cell Project of Quang Binh Province in Vietnam (USD 12 million)
- Long Xuyen Sewerage, Drainage and Wastewater Treatment System Project in Vietnam (USD 46 million)
- National Program for Sustainable Electrification and Renewable Energy in Nicaragua (USD 27 million)
- Well Field Construction Project at Tetulzhora-Bhakurta Area of Savar Upazilla in Bangladesh (USD 45 million)
- Remba Imbu Water Project in D.R. Congo (USD 68 million)
- Prestea-Kumasi Power Enhancement Project in Ghana (USD 67 million)
- Construction of Zanzibar Irrigation Infrastructure Project in Tanzania (USD 50 million)

EDCF will continue to strive to promote economic development and welfare of partner countries under the Plan in response to global issues such as climate change.

### NEW EDCF LOANS SUPPORTING POLICY PROGRAMS OF PARTNER COUNTRIES TO RESPOND TO CLIMATE CHANGE

In order to foster sustainable development in partner countries, EDCF has encouraged ownership and strengthened capacity for development. A new loan format supporting





policy programs of partner countries was first implemented in Vietnam in 2011. Under this format, loans will be provided to support the general budget of partner governments only after thorough monitoring of the implementation of pre-determined policies on specific issues during the previous year.

Climate change is anticipated to significantly impact Vietnam. The government of Vietnam has forecasted that sea levels could rise by 75cm and annual rainfall could increase 5% by 2100. Such conditions would lead to considerable losses in agricultural and industrial productivity.

For sustainable economic development in Vietnam, EDCF participated in the Support Program to Respond to Climate Change (SP-RCC) in Vietnam with other donors, namely, JICA, AFD, WB, CIDA and AusAID. SP-RCC aims to serve as an integrated platform for policy dialogues between the government of Vietnam and those of donor countries regarding technical and financial assistance and aims to support the implementation of climate change related policies and strategies based on the National Target Program to Respond to Climate Change (NTP-RCC).

SP-RCC encompasses capacity building efforts for management, monitoring, evaluation, reporting and awareness-raising efforts annually. If the evaluation of the prior year's

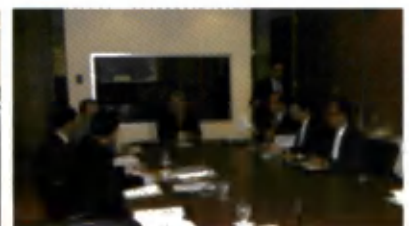
policy implementation is deemed satisfactory, funds are disbursed to cover the prior year's general budget and policy agendas are developed for the following year.

Of 14 priority policy actions in regards to climate change for 2011, EDCF is expected, as a key donor, to focus on three specific targets: water resources, renewable energy development and waste management. EDCF provided approximately USD 30 million in financial aid during 2011 for these efforts.

## EDCF SAFEGUARD POLICY UPDATE

After the establishment of the MDGs under the recognition of the United Nations, ODA agencies have emphasized the need to strengthen measures of corresponding to social and environmental impacts of infrastructure projects as a means of insuring sustainable development. Under the changing context, EDCF has also prepared and operated the Safeguard Policy to assure sustainability of its ODA practices.

However, after joining the OECD DAC in the year 2010, EDCF has further realized the needs for applying a more strengthened safeguard framework to meet the growing challenges.



# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## ENVIRONMENT

Partners of EDCF are countries that are experiencing the world's most rapid industrialization and urbanization, coupled with increased demand for natural resources.

Ensuring development that meets the present needs without compromising the future environmental quality and social well-being has become a shared objective of EDCF's partner countries. In continuing the efforts to keep its operations policies responsive to the emerging social and environmental challenges, EDCF has taken the initiative of launching a major update to its Safeguard Policy in the year 2011.

The EDCF Safeguard Policy update aims to strengthen and streamline the roles and responsibilities of both EDCF and partner countries. While the updated policy clarifies the related protocols required from EDCF, it also provides more detailed guidance on the specific requirements that partner countries must satisfy in addressing social and environmental impacts throughout the project cycle. The underlying concept is to

- (i) identify and assess adverse impacts as early as possible,
- (ii) formulate plans to avoid or minimize adverse impacts and

- (iii) inform and consult with the stakeholders during project preparation and implementation.

Discussions are being made to find ways of strengthening the existing policy up to the international standards set by world's leading donor organizations. For example, the updated EDCF Safeguard Policy will add indigenous people's rights as an integral part of social impact assessment. Other key issues that are actively being discussed include project categorization, information disclosure, participation and consultation with the affected people.

When the updated policy is released in early-2012, EDCF will require cooperative efforts from partner countries since they also bear the roles and obligations of putting the updated policy into practice. EDCF will distribute the updated policy and all relevant information and allocate appropriate resources to ensure effective implementation. The policy update is anticipated to place EDCF a step forward in financing complex and large-scale infrastructure projects requiring careful attention on social and environmental impacts.

1

### Project Categorization

Based on information on the project type, location, sensitivity, scale and magnitude of potential impact, EDCF will carry out project screening and categorization during the early stages of project preparation so that partner countries are fully notified of the social and environmental requirements that must be satisfied for financing by EDCF.

2

### Information Disclosure

EDCF will cooperate with partner countries to ensure that all information relevant to the safeguard issues of EDCF projects is made available in a timely manner, at an accessible place to the affected people and other stakeholders.

3

### Participation and Consultation

EDCF will require partner countries to engage in meaningful consultation processes with the affected people and ensure their concerns are addressed in project design and safeguard plans.

## SAFEGUARD POLICY IMPLEMENTATION FLOW

### 1 Screening and Categorization

EDCF carries out project screening and categorization (Category A, B, C) at the early stage of project preparation based on the information provided by the partner country.

### 3 Environmental & Social Review

EDCF reviews the results of environmental and social impact assessment conducted by the partner country to ensure that (1) all potential environmental and social impacts have been identified, (2) measures have been developed to avoid, minimize, mitigate and compensate the adverse impacts, (3) the measures have successfully been reflected to the project implementation plan and (4) the process of consultations with the affected persons has been put into practice.

### 2 Environmental & Social Impact Assessment

The partner country carries out environmental and social impact assessment appropriate to the results of EDCF's project categorization.

- Category A<sup>1)</sup> : Environmental & Social Impact Assessment (ESIA)
- Category B<sup>2)</sup> : Initial Environmental & Social Examination (IESE)
- Category C<sup>3)</sup> : No ESIA or IESE

### 4 Monitoring

The partner country monitors the actual environmental and social impacts experienced and the implementation progress of Environmental & Social Management Plans.

**Note :** 1) Category A : If the proposed project has sensitive, diverse or unprecedented environmental and social risks

2) Category B : If the project has less adverse environmental and social impacts than category A project

3) Category C : If the project has no or a minimal environmental and social risks



# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## CAPACITY BUILDING

### CONTINUING LEGACY OF DEVELOPMENT COOPERATION PARTNERSHIP

#### THE 15<sup>th</sup> EDCF ANNUAL WORKSHOP

2011 marked the 15<sup>th</sup> year of the EDCF Annual Workshop. Established in 1995, the EDCF workshop has become a significant international cooperation event participated by government officials representing ministries overseeing foreign aid and concessional loans and representatives of project implementing agencies. During the workshop, EDCF introduces operational procedures and shares EDCF assistance strategies and visions. Over the years, the workshop has played a pivotal role in building and strengthening partnerships with various governments.

In 2011, seven officials from the Philippines, Indonesia, Pakistan, Bangladesh, Ethiopia, Mozambique and Colombia participated in the workshop from May 29 to June 3.

The workshop was mainly comprised of two sessions, a seminar regarding Korea's ODA strategies and Action Plan and a seminar introducing EDCF policies and guidelines on procurement. The workshop also provided participants with opportunities to discuss current issues and identify

new projects through one-on-one consultations with EDCF country operation teams.

The workshop is also an opportunity to share various perspectives on aid and methods employed with other donor countries when receiving ODA. Such sharing of information allows EDCF to learn from the best practices of other donor countries and make further improvements to EDCF.

At the end of each workshop, surveys are conducted to gauge the overall satisfaction of participants with the quality of the workshop. The survey for 2011 indicated that participants were highly satisfied with the workshop. Suggestions for improvement included increasing the number of participants to two or more officials from each country and increasing the allotted time for one-on-one discussions with EDCF country operation teams. EDCF will review these suggestions and make efforts to reflect them in the next workshop.

EDCF, as the sole bilateral agency overseeing concessional loans, provides essential, practical and intensive short-term training. By sharing Korea's experience of successful economic development and the transition from aid recipient to donor country, EDCF strives to serve as a true development partner for developing countries and foster constructive, mutually beneficial partnerships.



## WORKSHOP AND ROUNDTABLE ON DEVELOPMENT EFFECTIVENESS

On September 29, EDCF held a workshop on development effectiveness titled 'Growth and Aid', which was participated by representatives of JICA, KfW, AFD and WB.

The workshop was a prior consultative meeting to the HLF-4, a forum on the role of development cooperation agencies in the economic growth of developing countries.

During the meeting, Mr. Hiroto Arakawa from JICA stated that we should develop better programs to more effectively support developing countries and emphasized the importance of innovative financing facilities.

Mr. Hoang Viet Khang from Vietnam urged participants to strengthen the capacities of developing countries to reduce aid dependency and called for more actions by the international community in issues such as inequality, wealth gap, etc. for sustainable development.

The workshop participants agreed upon RBM and aid scaling up on infrastructure. The results of discussions during the workshop were reflected by EDCF in preparations for a session on 'Inclusive Growth' in HLF-4.

EDCF also held the Roundtable on Development participated by experts on development cooperation during which current issues were discussed. In 2011, EDCF invited Dr. Kenneth KING from Edinburgh University and Mr. Mario PEZZINI from the OECD Development Centre for the Roundtable.

## JOINT EVALUATION FOR SECURING OBJECTIVITY OF EVALUATION

As a member of the OECD DAC since 2010, Korea is required to improve the effectiveness and accountability of Korean ODA. One effective tool for doing so and improving the overall quality of Korean ODA is conducting credible evaluation of supported projects based on objective and accurate evidence. Among the various evaluation methods, joint evaluations with partner countries have been increasingly utilized as they promote beneficiary-oriented evaluations and improve ownership of partner countries.

EDCF collaborated with the government of Cambodia to jointly conduct an ex-post evaluation of the National Cambodia-Korea Vocational Training School Project. USD 27.7 million in loans had been provided by EDCF for the implementation of the project from 2002 to 2005. The project aimed to establish a new vocational training school equipped with high quality facilities and educational programs to



# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## CAPACITY BUILDING

foster a highly educated and skilled workforce necessary for economic and industrial development of Cambodia.

In establishing the Evaluation Framework, EDCF and Cambodia agreed on various issues related to evaluation and signed on Aide Memoire. Both parties agreed to evaluate the project based on DAC evaluation criteria and to reflect lessons learned and evaluation recommendations to future policies such as CPS for Cambodia. In addition, a stakeholder analysis was jointly carried out to determine the role of the government and the civil society of Cambodia and EDCF staff in the evaluation. Also, both parties agreed to conduct a document review, field study, interview and joint workshop, and to share evaluation results with relevant stakeholders and the public in Cambodia and Korea.

Once the interim evaluation results became available, EDCF and Cambodia held a joint evaluation workshop in Phnom Penh on the September 22 to collect the opinions of local stakeholders and reflect those ideas in the final version of the evaluation report. The workshop, which encompassed presentations and discussions, was attended by approximately 50 participants including the Secretary of State from the Ministry of Labor and Vocational Training of Cambodia as well as the president, professors and students of the National Polytechnic Institute of Cambodia (NPIC) \*.

The stakeholders of Cambodia considered the evaluation to be objective as it frankly covered issues which needed to be supplemented. The stakeholders also expressed appreciation for holding the joint workshop with Cambodia.

As a result of the ex-post evaluation, EDCF and Cambodia reached the consensus that the project was very successful. A 90% employment rate of NPIC graduates clearly demonstrated the positive educational effect of the establishment of NPIC with nice facilities, equipment and faculty. The ex-post evaluation recommended the importance of stabilizing the operation of vocational training schools in the early stages, enhanced O&M system and university-industry cooperation. As the evaluation was jointly conducted, the acceptance and legitimacy of the recommendations were increased.

The joint evaluation conducted by EDCF and Cambodia contributed to improve mutual accountability and ownership of evaluation processes, to make development evaluation more responsive to needs and interests of Cambodia and to strengthen the evaluation capacities of Cambodia. EDCF plans to continuously expand joint evaluations with partner countries to strengthen the beneficiary-oriented evaluation and improve the effectiveness of evaluation.

\* After completion of the project, the newly established vocational training school was named the National Polytechnic Institute of Cambodia (NPIC).





# 2011 EDCF ACTIVITIES BY ODA KEYWORDS

## COMMUNICATION

### SMILE TONJ PROJECT

#### REACHING OUT TO THE PEOPLE

Building upon measures to enhance international development cooperation established the year before last, the Korean government aimed to provide 'aid for the people' and 'aid of warmth with both hands'. However, as EDCF was established to support large-scale infrastructure projects, efforts toward such goals had been minimal at best.

To increase participation in projects which directly impacted the lives of people in partner countries, EDCF embarked on a landmark project named 'Smile Tonj'. EDCF participated in the project for two major reasons. The first reason was to share with the world the moving story of Father John Lee as well as the 'servant leadership' he embodied. Secondly, EDCF hoped to strengthen the relationship between Korea and South Sudan, a newly independent country.

The Smile Tonj project is jointly implemented by EDCF, the Korea Broadcasting System and the government of the Republic of South Sudan and encompasses two components. The first component involves funding for the construction of the first medical school hospital of South Sudan in the capital city of Juba. The hospital will be christened the John Lee Memorial

Medical School Hospital in order to commemorate the work of Father John Lee. Father Lee had built a hut with his own bare hands and had provided medical care for the people of Tonj and neighboring villages in South Sudan. The Ministry of Health and Welfare of Korea and EDCF will provide a linked grant and loan respectively after an estimated budget is determined by a F/S jointly conducted by Korea and South Sudan.

For the second component, small schools and health clinics bearing the name of Father John Lee will be built in Tonj and hopefully, other villages throughout South Sudan. This component will be implemented by the Father John Lee Sharing Love Foundation and the foundation will fund the activities through a fundraising campaign. The Foundation plans to dispatch volunteers from Korea to South Sudan to join local villagers in building schools and clinics.

As a PPP project, the project implementing agency will be assisted by private organizations. So far, Paik Hospital of Inje University and the Rotary Club of Korea have joined the project as supporting organizations.

It is hoped that the project will be successfully implemented with the assistance of the people of Korea and South Sudan so that the spirit of servant leadership and love Father John Lee personified is spread throughout the world. The project will also be a valuable opportunity for EDCF to reach out to people.



# EDCF PROJECTS APPROVED IN 2011

• VIETNAM • ETHIOPIA

## EDCF PROGRAMS WITH GREEN GROWTH

### SOLAR CELL PROJECT OF QUANG BINH PROVINCE, VIETNAM

Over the past several years, Vietnam has recorded one of the fastest rates of economic growth in the world. With this rapid growth, the demand for electricity has increased as well. As electricity is a basic factor that greatly affects living standards and because electrification rates of rural areas are significantly lower than those of urban areas, the government of Vietnam designated increased electrification rates in rural areas as a national development priority.

In Vietnam's national development strategy, the government is also emphasizing the development of renewable energy as a realistic alternative for people in remote and isolated areas. Vietnam's Renewable Energy Development Targets for 2015 and Vietnam's Master Plan for 2025 reflect these policies for development of energy grids and renewable energy in rural areas, highlands and islands.

As part of such policies, the Vietnam government decided to construct independent solar cell power plants in Quang Binh Province. Connection to the national power grid is

impossible in some areas of Quang Binh Province as some areas are too mountainous and the Phong Nha Ke Bang National Park, which is within the province, is protected under the UNESCO Convention for the Protection of the World's Cultural and Natural Heritage. Therefore, an off-grid renewable energy generating system was actively considered.

In 2011, the Vietnam government requested an EDCF loan to support the solar cell project in Quang Binh Province. In the same year, EDCF approved an USD 12 million loan for the project, the first renewable energy project supported by EDCF in Vietnam.

Once the project is completed, approximately 1,517 houses and 78 public facilities will gain access to electricity supplies. As a result of the supply of power to the region, residents in the affected regions will also benefit from improved public services and educational opportunities, and ultimately, higher levels of income.

As the renewable energy sector is an EDCF top priority sector, EDCF plans to expand support to this sector.



Ethiopia

Vietnam

## REGIONAL DIVERSIFICATION OF EDCF PROJECTS

### SULUTA ~ GEBRE GURACHA POWER TRANSMISSION PROJECT, ETHIOPIA

EDCF loans were at first concentrated to Asian countries but after 1990, the proportion of support to African countries were increased. However, loans were limited to a few countries such as Tanzania or Angola. EDCF projects had not been executed in Ethiopia until 2010 despite close ties with the country after the Korean War.

2011 was a significant year for Korea and Ethiopia, for it has been sixty years since Ethiopia dispatched their young soldiers to fight in the Korean War. To strengthen economic cooperation through EDCF, the President of Korea Eximbank signed a MOU with the Minister of Finance and Economic Development in Ethiopia during a state visit to Africa by the President of Korea in July 2011. The MOU encompassed the provision of USD 100 million in EDCF loans over a three-year period starting in 2011 and ending in 2013.

In December 2011, the Korean government approved an EDCF loan of USD 78.4 million for the Sululta-Gebre Guracha Power Transmission Project. As the first loan under the MOU,

it symbolized Korea's commitment to bilateral cooperation with Ethiopia. The project is meaningful not only because it is the first EDCF project in Ethiopia, but also because it symbolizes diversification of EDCF partner countries.

Currently, the power demand in Gebre Guracha and nearby towns is estimated to exceed 400MW and demand is expected to grow sharply in the near future due to rapid expansions by factories in the country's main industrial area. At present, the zone suffers from limited power supply as it must rely on a single 66kV transmission line from Geferssa.

The delivery of power from remote hydro-load centers to the rapidly growing industrial zone in Northern Ethiopia is essential to achieve economic growth targets of the Growth and Transformation Plan (2011-2015). The power transmission project was proposed to address the power demands of industrial zone in Gebre Guracha, chanco and Addis Ababa as well.

The Suluta-Gebre Guracha Power Transmission Project is expected to contribute to the economic development of Ethiopia by supporting the national policies in the power sector, ensuring reliable supply of power, reducing transmission loss and improving power system stability and reliability.





# EDCF PROJECTS APPROVED IN 2011

• MALI • NICARAGUA • DOMINICAN REPUBLIC

## CO-FINANCING WITH MDBs

### MARKALA SUGAR PROJECT, MALI

In 2011, Malian government requested EDCF loans from Korean government for the Markala Sugar Project in Mali. In response to this loan request, the Korean government approved USD 25 million for co-financing by EDCF and AfDB.

The Malian government designated rural (agricultural) development as one of its core strategies to strengthen food security. Considering that 75~80% of domestic demand for sugar is dependent on imports, the project's main objective is to make Mali self-sufficient in sugar production in the medium term as well as to gain a source of export revenue. This project will be funded by the Malian government and untied aid from 11 international development agencies; EDCF, AfDB, IsDB, OPEC Fund, SFD, Kuwait Fund, BOAD, BADEA, IFAD, EBID and Abu Dhabi Fund.

The Markala Sugar Project is expected to create 8,000 jobs directly and 32,000 indirectly in the development of sugar cane land which is anticipated to produce 1.5 million tons of cane annually. The project also encompasses establishment of a factory with an annual production capacity of 190,000 tons of sugar, 15 million liters of ethanol for fuel blending

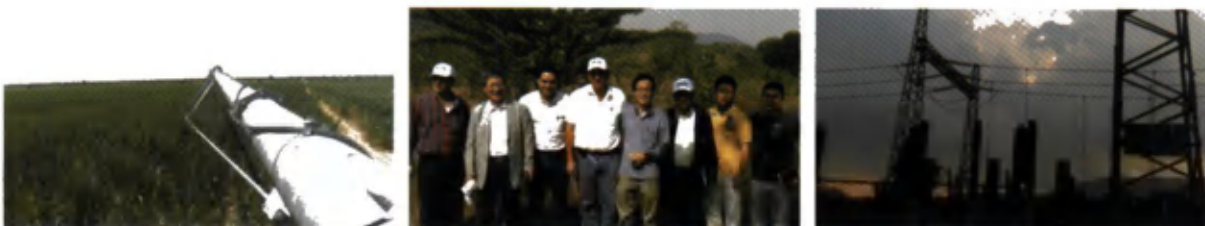
(reducing Malian dependence on imports) and 30MW of power, of which, 27MW will be used for internal purposes and 3MW will be sold to the national grid.

### NATIONAL PROGRAM FOR SUSTAINABLE ELECTRIFICATION AND RENEWABLE ENERGY PROJECT, NICARAGUA

Last year, EDCF co-financed USD 27million with IDB for the National Program for Sustainable Electrification and Renewable Energy (PNESER) Project, a project which addresses one of Nicaragua's highest development priorities. This co-financing is significant as EDCF expanded financing cooperation with international development agencies and further strengthened cooperation with Nicaragua.

Increasing power supplies and implementing energy efficiency programs are crucial for the country's economic development. This project aims to promote investments, contribute to economic development and improve the quality of life for residents by establishing core infrastructures for renewable energy production and improving efficiencies in electricity transmission.

Nicaragua's PNESER Project is the first EDCF-IDB co-financed project after Korea became an IDB member





**Dominican Republic**  
**Nicaragua**

**Mali**

country in 2005. The world's leading development agencies such as WB, CABEL and EIB are also participating in this project. The PNESER Project is estimated to cost USD 383.3 million, encompasses the construction of renewable energy infrastructure and enables the supply of power to rural communities. Two substations and related transmission lines will be built and existing substations will be remodeled and expanded by EDCF.

## LINKAGE BETWEEN ODA GRANTS AND LOANS

### ESTABLISHMENT OF ITS IN SANTO DOMINGO PROJECT, DOMINICAN REPUBLIC

The KSP for the Dominican Republic began in 2008 at the request of the President Leonel Fernandez. Numerous KSP projects for the Dominican Republic have been carried out since 2008. The Establishment of ITS in Santo Domingo Project, a KSP - EDCF cooperation project, was approved in 2011.

The Dominican Republic is considered one of the fastest growing nations in Latin America. However, the transportation infrastructure in Dominican Republic, such as roads and public transit systems, are insufficient to accommodate the

increasing number of vehicles. Traffic congestion in Santo Domingo, the capital of the Dominican Republic, is particularly severe and is one of the main factors increasing social costs.

In order to alleviate traffic congestion and maximize the efficiency of existing roads and traffic systems, it is imperative that an advanced Transportation Systems Management is implemented. As such, the 3rd Axis (Tercer Eje) of the National Development Strategy the Dominican government aims to strengthen national competitiveness through the expansion of infrastructure such as the traffic and public transit systems.

The Establishment of ITS in Santo Domingo Project aims to establish an advanced and systematic ITS in the Dominican Republic by benchmarking Korea's ITS.

Project objectives are improvement and modernization of the transportation system in Santo Domingo, reduction of social costs (delayed logistics, traffic accidents, and traffic congestion) and improvement in quality of life.

EDCF provides USD 36 million for this project. The main project scope for EDCF consists of construction of the Traffic Management Center (TMC), establishment of the TMC system and a field system, dispatch of experts, provision of overseas training, post-project management and consulting service.



# EDCF PROJECTS APPROVED IN 2011

• GHANA • LAOS

## PRESTEA-KUMASI POWER ENHANCEMENT PROJECT, GHANA

Since the establishment of diplomatic ties in 1977, Korea and Ghana have developed a mutually beneficial economic partnership through various projects. For its part, EDCF has played a key role in building and strengthening economic cooperation between the two countries, supporting four projects in Ghana through EDCF loans since 1990.

In particular, an EDCF loan totaling USD 67 million was approved by the Korean government in 2011 for the Prestea-Kumasi Power Enhancement Project in consideration of the nation's Strategic National Energy Plan. The plan is a part of Ghana's long-term goals of providing the country with sustainable energy by 2020. The loan amount of USD 67 million is the largest amount ever approved for an EDCF project in Africa.

The project scope includes the erection of 330kV transmission lines from Prestea to Kumasi (185km), construction of a substation in Kumasi and the establishment of the pilot program for the Smart Grid Direct Load Control (DLC) System which is an eco-friendly technology.

The project is anticipated to stabilize and improve the supply

of power in northern regions of Ghana, address the problem of power capacity overloads through the adoption of the DLC pilot system and contribute to economic growth and poverty reduction through construction of essential energy infrastructure.

The project is a prime opportunity for capacity building of partner countries in the field of green technologies, i.e. the Smart Grid DLC System. In addition, as the project is linked to the construction of integral power transmission systems for ECOWAS, the project could facilitate the knowledge and technology sharing between Korea and ECOWAS.







## EXPANSION OF UNTIED PROJECTS

### ESTABLISHMENT OF THE TAX REVENUE INFORMATION SYSTEM PROJECT, LAOS

Despite active efforts by Lao government, including adoption of capitalism and an open market system, to achieve rapid economic development, Laos continues to suffer from chronic fiscal deficits as a result of an outdated tax system and the heavy burdens of interest payments on foreign debts.

In order to alleviate the situation, the Lao government initiated deficit reduction policies such as the introduction of a value-added tax and an increase in tax rates. Policy effectiveness was hampered, however, by manual tax collection systems within tax offices and departments. For this reason and for the successful execution of the 7th National 5-Year Socio-Economic Development Plan (2011-2015), it is imperative that a transparent tax administration information system is adopted. Doing so would also improve the implementation of the tax policies of the Lao government, increase tax revenue and enhance national competitiveness.

The Lao government decided to utilize ODA loans from the Korean government for implementation of the Establishment

of the Tax Revenue Information System Project. In response, the Korean government committed USD 28.5 million, which represents 87.3% of the total project cost of USD 32.7 million, to the project.

The project aims to contribute to national economic development through improved tax administration efficiency. The project would also strengthen revenue collection transparency to ultimately attract foreign investments to Laos, improve the national image and strengthen country competitiveness. The deployment of an IT tax administration system is also anticipated to develop human resources in ICT sector.

Furthermore, the project is anticipated to strengthen the international competitiveness and transparency of EDCF as Korean companies and foreign companies alike would be allowed to participate in procurement bidding processes (unlimited international competitive bidding, untied). In 2011, EDCF approved two untied projects, this project included, and established a firm foundation for further expansion of untied projects.

EDCF plans to support this project with the cooperation of other Korean public institutions and government ministries. The project is anticipated to contribute to enhancing economic cooperation and partnership between Korea and Laos.



# EX-POST EVALUATION IN 2011

## OVERVIEW OF THE EDCF EVALUATION SYSTEM

EDCF evaluates on-going and completed international development cooperation projects through systematic and objective assessment of project development, implementation and results.

Project performance is measured based on the five criteria of OECD DAC, i.e. relevance of objectives, efficiency, effectiveness, impact and sustainability of development. Evaluation results must be reliable and useful in order to serve as a reference for decision-making processes of both recipient and donor countries.

Considering that the international ODA community is increasingly utilizing evaluations to assess the effects of ODA activities and increase the effectiveness, EDCF has taken the following measures to progress its evaluation system.

First, EDCF evaluations are conducted at all stages of an ODA project. There are four evaluation stages, i.e. establishment of project performance indicators at the planning stage, mid-term project reviews during implementation, evaluation at time of project completion and ex-post evaluation two years after completion evaluation. The lessons learned at each stage of evaluations are immediately applied to future projects to promote aid effectiveness.

Second, EDCF improves the quality of evaluations by updating evaluation methods annually. Country evaluations were adopted in 2010 and sector evaluations were adopted in 2011 to evaluate not only the outcome of each project but the partner country and target sector development as well. In 2012, thematic evaluations will be adopted for the first time and evaluations for program loans and PPP projects

are planned as part of efforts to establish an effective and comprehensive evaluation system.

Third, EDCF focuses on management of development results. With the number and amount of EDCF projects increasing rapidly since 2007, it has become important to accurately evaluate the result of the projects. Such evaluations are essential components of RBM. EDCF intends to actively reflect evaluation results on future development assistance activities.

Fourth, EDCF makes efforts to promote partner country participation in the evaluation process. Joint evaluations, in which the partner country participates and its opinions are reflected in the evaluation, were first introduced for the ex-post evaluation of Cambodian Vocational Training School Project in 2011. EDCF plans to expand joint evaluations to other projects in order to strengthen ownership and responsibility of partner countries increase their evaluation capacities.

Fifth, EDCF prioritizes harmonization with international standards for evaluations. EDCF evaluates projects based on the DAC five criteria for evaluating development assistance and participates in the OECD DAC Network on Development Evaluation to harmonize development assistance efforts with other organizations, remain current on evaluation trends and share evaluation plans. EDCF plans to continually research advanced evaluation methods and model evaluation cases.

Lastly, EDCF acts in accordance with the evaluation guidelines of the Subcommittee for Evaluation of CICA, the comprehensive ODA evaluation organization of Korea established in 2009. EDCF respects and adopts the policies and recommendations of CICA for improvement of EDCF's evaluation system.

### Evaluation System in EDCF

The EDCF Evaluation Team is independent from Project Operations Department and provides results to related department and agencies.

#### EDCF Evaluation Team

- Evaluation plans
- Conducts external and internal evaluation
- Disseminates evaluation results

Reporting evaluation results

Managing Evaluation in Operation Dept.

Feedback

Suggest follow-up actions

Feedback

Ministry of Strategy and Finance

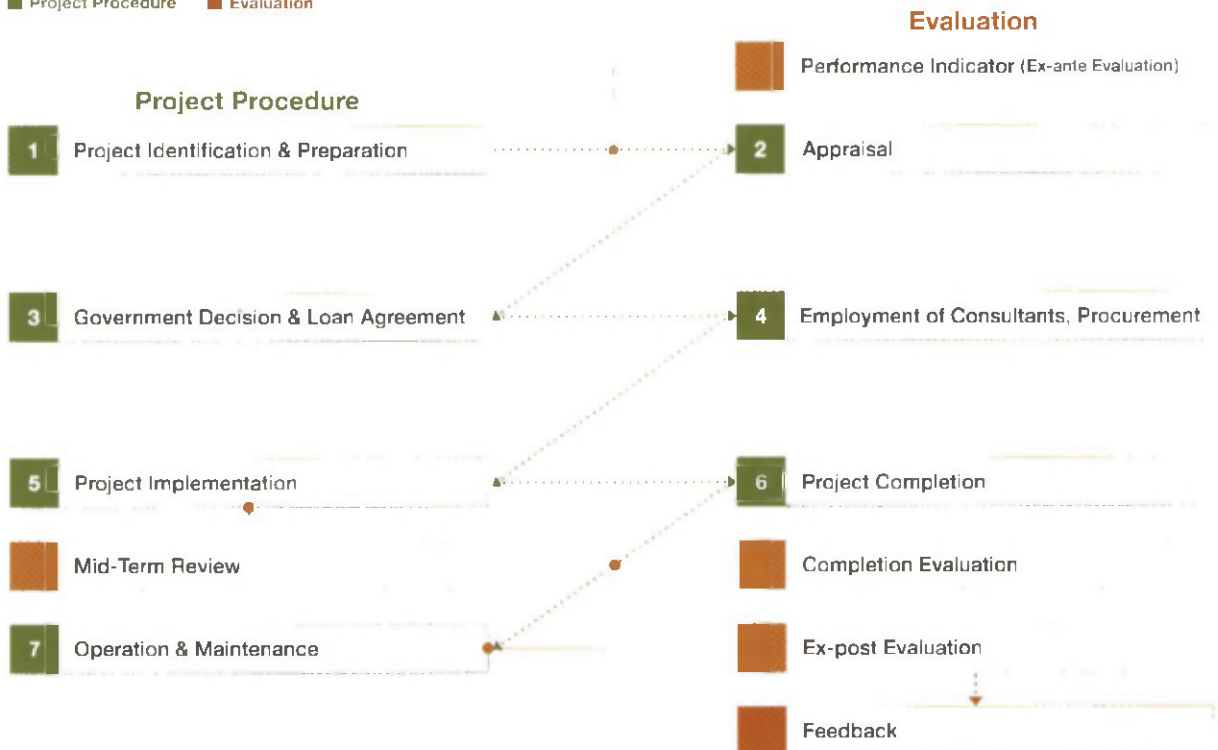
Subcommittee for Evaluation

EDCF Operations Department

EDCF Planning Department

### Evaluation Activities by Project Procedure

■ Project Procedure ■ Evaluation





# EX-POST EVALUATION IN 2011

## EDCF EVALUATION FOR WATER SUPPLY AND SEWERAGE SECTOR

EDCF decided to comprehensively evaluate assistance for the water supply and sewerage sector in order to identify directions for future ODA sector operations, review the effectiveness of projects and establish future policies regarding the water and sewerage sector. The evaluations utilized a 'bottom-up' approach based on the five evaluation criteria of the OECD DAC.

Unlike ex-post evaluations of individual projects, sector evaluations take into account partnership strategies and systems of EDCF as well as the outcomes and impacts of sector assistance.

### APPROACH

- Strategic objectives of sector assistance
- Assistance system of EDCF in general
- Partnership with partner countries
- Relevance to national development plan of partner countries
- Comparison of EDCF assistance strategies with those of other donors
- Evaluation of partner countries

### OUTCOME

- Improvement in the water supply and sewerage sector

### IMPACT

- Contribution to the water supply and sewerage sector of partner countries
- Contribution to the achievement of MDGs of the UN (Target Year: 2015)

The following six projects for five countries are evaluated.

- Thien-Tan Water Supply Project, Vietnam
- Greater Galle Water Supply Project, Sri Lanka
- Juigalpa Potable Water System Expansion Project, Nicaragua
- Wadi Es Sir Wastewater Collection and Treatment Project, Jordan
- Madaba Wastewater Treatment System Expansion Project, Jordan
- Hospital Wastewater Treatment Plant Project, Indonesia

Considering alignment with development policies of the governments of partner countries, international assistance policies and partnership strategies of MDGs and EDCF, these projects in the water supply and sewerage sector were evaluated as 'highly relevant'. These projects aimed to establish treatment facilities and supply safe drinking water to the general public



in line with top national development priorities of developing countries. They also correspond with EDCF's partnership strategy as the water supply and sewerage sector is designated as a main partnership strategy sector in EDCF policies.

The evaluation found the projects to be 'highly effective' in terms of achievement of original goals of the projects and application of appropriate technologies with respect to the local conditions of partner countries. As the water supply and sewerage projects supported by EDCF were successfully completed, project goals of supplying safe drinking water and improving living conditions were achieved. In addition, appropriate technologies were applied with respect to the locations and climates of partner countries. As such, most projects evaluated were recognized as successful ODA projects in partner countries.

The evaluation also found the projects to have made significant impacts on society, economy, environment and institutions of partner countries so the EDCF projects were evaluated as 'highly influential'. The water supply and sewerage projects facilitated poverty reduction and economic growth in partner countries and are considered to have contributed to the improvement of water supplies and sewerage systems of partner countries. In particular, the projects are considered to have impacted cross-cutting issues such as the environment as the provision of clean drinking water, increased awareness of the importance of environmental preservation and proper treatment of wastewater. The projects ultimately contributed to improving the environment and prevented water contamination. Lastly, the evaluations included recommendations on EDCF sector assistance. The recommendations will be reflected in the establishment of EDCF sector assistance policies. The recommendations are listed below.

### ENHANCED PARTNERSHIP WITH WATER SUPPLY AND SEWERAGE SYSTEM EXPERT GROUPS

- Enhanced partnership with partner countries, donor countries and international organizations
- Introduction of PPP to improve project efficiency

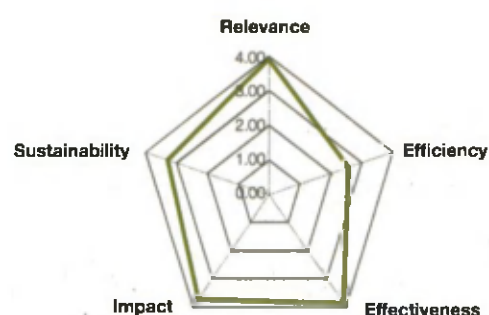
### ESTABLISHMENT OF SUSTAINABLE WATER SUPPLY SERVICE SYSTEM

- Establishment of a plan for sustainable water supplies
- Development of evaluation indicators of sustainable water supply services

### EVALUATION ON WATER SUPPLIES AND SEWERAGE TECHNOLOGIES TO ASSESS RELEVANCE OF SELECTED TECHNOLOGIES

- In-depth field surveys on regional conditions of a partner country such as climate, geological features, etc.
- Evaluation of applied technologies with respect to the environment and economic development of partner countries

Distribution map of overall assessment grade



# EX-POST EVALUATION IN 2011

## EDCF COUNTRY EVALUATION FOR INDONESIA

Indonesia is a main partner country to which Korean ODA has been most actively provided since the establishment of EDCF. EDCF comprehensively evaluated the Country Cooperation Strategy and Program (CCSP)<sup>1</sup>, project process and individual projects for Indonesia in order to identify the direction for future ODA operations. The CCSP for Indonesia has effectively served to set the basic direction and the framework for ODA programs for Indonesia. The CCSP was established through discussion with the Indonesian government, and the results have been widely shared or utilized by various stakeholders as well as the Indonesian government.

The basic direction and strategy for the implementation of EDCF projects for Indonesia were formulated through the CCSP for Indonesia, which was based on a macroeconomic analysis of Indonesia's economic development, development strategy of Indonesian government, evaluation of the roles and contributions of related stakeholders and previous Korean development experiences. In addition, the CCSP for Indonesia was aligned with Korea's ODA Strategy that was established and implemented in the same period, and it was announced that Indonesia would be provided with active ODA.

Generally, the project processes of EDCF for Indonesia were operated systematically. The process was carried out in a sequential manner, from establishment of strategy to M&E, and specific standards and guidelines were established for each stage.

In the evaluation of 15 projects of EDCF that were approved between 1987 and 2009, the projects were found to be very successful. However, in our analysis of the detailed evaluation results, there were areas for improvement in terms of efficiency and sustainability. First, most of the projects that had been completed were delayed; indicating that more consideration and reflection of Indonesia's circumstances in project planning stage. Also, the financial sustainability of the projects would have been risked if project executing agencies failed to secure needed funding from the central government. Accordingly, some considerations were needed for O&M after project completion such as assigning some responsibilities related to the project to the Indonesian government.

The comprehensive evaluation of the EDCF assistance for Indonesia found there were some areas requiring minor improvements, even though it was generally successful. The following are recommendations provided based on the results of the evaluation.





### DEVELOPMENT OF NEW COUNTRY PARTNERSHIP STRATEGY (CPS)

- Establishment of assistance goals in consideration of changes in development environments
- Reinforcement of alignment and coordination between concessional loan and grant aid programs
- Strengthened alignment and work division with other donors

### IMPROVEMENT OF PROJECT PROCESS

- Modification and revision of implementation plans by stages
- Reinforcement of project preparation and consultations
- Establishment of monitoring system and diversification of M&E methods

### DEVELOPMENT OF RESULT-BASED MANAGEMENT SYSTEM

- Introduction of PBA
- Project implementation with a long-term perspective
- Diversification of ODA methods

### OTHERS

- Consideration of Indonesia's social and cultural factors
- Reinforcement of quality assurance procedures for materials and equipment
- Increased management staff on-site
- Improvement of partner country promotion

\* CCSP is a 5-year strategy of the Korean government. The CCSP is similar to the Country Assistance Strategy (CAS) of other donors and is commonly referred to as the Country Partnership Strategy (CPS) after the Korean government formulated an integrated ODA strategy in order to develop a unified goal for all Korean ODA.



# EX-POST EVALUATION IN 2011

## EDCF EVALUATION FOR INDIVIDUAL PROJECTS

### ROAD REHABILITATION PROJECT FROM BALANGODA TO BANDARAWELA, SRI LANKA

The government of Sri Lanka requested an EDCF loan from the government of Korea in order to pursue the project. In response, EDCF provided USD 17.6 million in December 2002. The project was completed in May 2008.

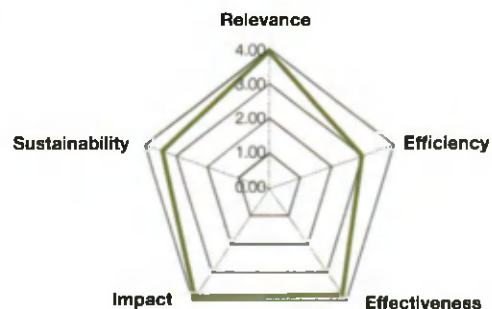
In order to evaluate the project, a roundtable meeting was held for sharing the result of evaluation in June 2011. Representatives from the Road Development Authority, Department of Public Finance of Ministry of Finance & Planning and Ministry of Environment of Sri Lanka presented interim reports and their opinions regarding the impact of Road Rehabilitation Project to stakeholders. The meeting was evaluated to have contributed to advancing the EDCF joint evaluation system with partner countries.

The project was highly relevant to Sri Lanka's development strategies and EDCF assistance policies. Although delayed project completion reduced its efficiency level, the project was generally deemed well implemented in accordance with initial plans and received a rating of generally effective in terms

of effectiveness. Economic, socio-cultural, technological and environmental impacts of the project were deemed substantial and the project was rated likely in terms of sustainability. The results of the assessment indicated that the project greatly contributed to promoting the local economy and raising income levels, as evidenced by lower regional poverty ratios, higher household incomes and significantly increased traffic volumes.

Ex-post evaluation recommendations emphasized development of more systematic monitoring mechanisms, increased participation of various stakeholders to prepare against unexpected risks and enhancement of overall project effectiveness, impact and sustainability.

Distribution map of overall assessment grade



### LUANG PRABANG NATIONAL UNIVERSITY ESTABLISHMENT PROJECT, LAOS

By 2004, Laos was steadily transitioning to a market economy and recording sound economic growth. Such economic growth and shift in its economic base increased the need for high-level human resources. To foster a highly educated and skilled workforce, the Lao government designated development of a post-secondary education system as a priority agenda in its Fifth National Socio-Economic Development Plan (2001-2005).

At the time, the country's tertiary education system was limited qualitatively and quantitatively. The three existing national universities were only able to accommodate 7,000 of the 33,689 high school graduates. Souphanouvong University, which opened its doors in 2003 to meet increasing demand for higher education in the northern region, was established without essential facilities and courses to adequately educate students due to insufficient financial resources.

To improve the educational infrastructure and quality of Souphanouvong University, EDCF provided USD 22.7 million of concessional loans for the implementation of the Luang Prabang National University Establishment Project from 2004

to 2007. The project scope encompassed the construction of facilities, supply of educational equipment, training local professors and staffs and consulting services.

An ex-post evaluation on the project was conducted in 2011, four years after project completion, to determine what opportunities should be pursued in future EDCF projects to generate durable and credible value for targeted beneficiaries. Based on DAC evaluation criteria, the project was overall rated 'successful'. According to evaluation results, the purpose and design of the project were deemed relevant to the national development plan of Laos, but delayed implementation reduced the project's efficiency level. The project was also evaluated to have the highest level of effectiveness as almost all of project targets were achieved including employment rate of graduates, level of student satisfaction, budget, enrollment rate and teacher-pupil ratio. Economic, social and technological impacts of the project were considered to be positive and project sustainability was deemed likely.

The results of the evaluation indicated that the project contributed to balanced development by expanding the beneficiaries of university education to encompass those outside the capital, meeting demands for college education in the northern region, fostering a skilled workforce for



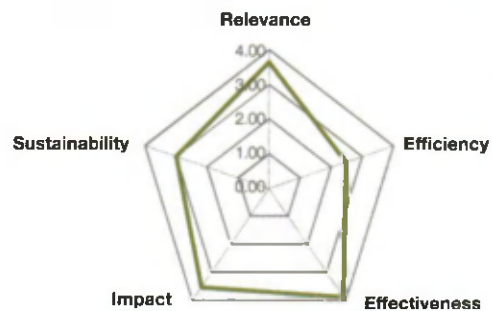


## EX-POST EVALUATION IN 2011

manufacturing, agriculture, forestry and tourism industries and making a positive impact on the socio-economic development of Laos.

The ex-post evaluation made several recommendations regarding O&M issues, the necessity of a school register information management system and capacity building of Souphanouvong University faculty were raised. For greater project sustainability, it is essential for the project executing agency to establish a systematic O&M plan from the stage of project design, to secure the budget and to maintain adequate personnel. Linking EDCF loans with grant aid to support long-term O&M was also recommended. For efficient management of student and alumni information, implementation of a school register information management system was recommended for inclusion in the project scope. Lastly, for increased capacities of Souphanouvong University faculty, it was recommended that the university support continued education for faculty (master and Ph.D. programs) by utilizing related ODA projects such as the Global Korea Scholarship.

Distribution map of overall assessment grade



# EDCF FUNDING RESOURCES

EDCF finances projects with public resources, i.e. contributions from the general budget account of the Korean government, borrowings from the Public Capital Management Fund of the government and profits from EDCF operations. The share of government contributions has steadily increased while borrowings decreased in terms of volume and share.

As of 2011, accumulated EDCF resources totaled KRW 2,801.2 billion, 6% increase year-on-year. Of this amount, 67.1% was supplied through the general budget account of the government, 31.6% through EDCF operational profits and reserves, and the remaining 1.3% through the Public Capital Management Fund.

In 2011, KRW 350 billion was newly allocated from the general budget account of the government to respond to a sharp increase in demand for loan disbursement. Further contributions from the government, as reflected in the mid-term budget plan of the Korean government, helped ensure

stable funding capacity of EDCF.

Between 1989 and 1997, EDCF borrowed KRW 305 billion from the Public Capital Management Fund. So far, KRW 267.7 billion has been repaid to leave an outstanding balance of KRW 37.3 billion.

The net profit for 2011 totaled KRW -97.4 billion. The negative figure does not however, represent the actual operational performance of EDCF. In accordance with the Accounting Standards for Subsidized Loans announced by the Minister of Finance and Strategy, the difference between the loan principals and the present value of estimated receivable amounts are recognized as cost for subsidized loans and accumulated as provisions for subsidized loans. The recognition of cost for subsidized loans and accumulation of provision for subsidized loans are solely a matter of accounting methodology and do not reflect the actual operation of EDCF.

## SOURCES OF FUND<sup>1)</sup>

(Unit : KRW Billion)

AMOUNT	2009	2010	2011
Contributions from Government	1,379,870	1,529,870	1,879,870
Borrowings from Government	95,993	78,328	37,331
Operational Profit and Reserves	994,032	1,035,260	883,988
<b>Total</b>	<b>2,469,895</b>	<b>2,643,457</b>	<b>2,801,189</b>

Note : 1) Accumulated total at the end of each year

PORTION	2009	2010	2011
Contributions from Government	55.9%	57.9%	67.1%
Borrowings from Government	3.9%	3.0%	1.3%
Operational Profit and Reserves	40.2%	39.2%	31.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>





# KOREA'S ODA IN 2010

Since 2005, in which Korea was not a DAC member, Korea has increased aid volumes by 56%, and has enhanced development assistance in accordance with Korea's economic growth and global status to international development objectives.



# KOREA'S ODA IN 2010

## KOREA AS A KEY MEMBER IN GLOBAL ODA

Despite the continued downturn in the global economy over the last few years, development aid reached historic highs in 2010. Net ODA from the DAC of the OECD totaled USD 128.7 billion, representing an increase of 6.5% over that of 2009. However, chronic issues, such as hunger, poverty and infectious diseases continue to plague many parts of the world and the rising cost of food and fuel, as well as effects of climate change are posing new global challenges.

### ODA BY CATEGORY (Net Disbursement)

(Unit: USD Million)

CATEGORY	2005	2006	2007	2008	2009	2010
<b>Bilateral ODA</b>	<b>463.3</b>	<b>376.1</b>	<b>490.5</b>	<b>539.2</b>	<b>581.1</b>	<b>900.6</b>
Budget Support	-	-	-	-	-	-
Bilateral Core Contributions & Pooled Programs & Funds	4.5	5.3	6.8	16.4	14.8	28.7
Project-type Intervention	289.5	162.7	227.0	240.4	331.5	666.7
Experts and Other Technical Assistance	-	-	-	-	-	104.4
Scholarships & Student Costs	4.5	1.2	1.6	-	-	55.2
Debt Relief	4.2	-	-	10.3	-	2.4
Administrative Costs	19.4	25.3	31.4	31.5	27.8	38.4
Other In-donor Expenditure	2.3	2.5	4.5	4.2	5.3	5.0
Others <sup>1)</sup>	138.9	179	219.2	236.5	201.9	-
<b>Multilateral ODA</b>	<b>289.0</b>	<b>79.2</b>	<b>205.6</b>	<b>263.1</b>	<b>234.9</b>	<b>273.2</b>
UN Agencies	38.3	42.9	47.7	46.7	55.8	77.4
IDA	119.7	-	82.3	69.7	71.3	79.1
Other World Bank <sup>2)</sup>	0.4	0.7	4.5	9	21.9	31.7
Regional Development Banks	125.9	53.9	56.6	125.9	68.7	66.5
Global Environment Facility	0.8	1.1	1.3	1.6	1.6	1.7
Montreal Protocol	0.0	0.1	0.1	0.1	0.1	0.1
Other Agencies	3.9	(19.5)	13.0	1.0	15.5	16.7
<b>Total Net ODA</b>	<b>752.3</b>	<b>455.3</b>	<b>696.1</b>	<b>802.3</b>	<b>816.0</b>	<b>1,173.8</b>
<b>ODA/GNI (%)</b>	<b>0.10</b>	<b>0.05</b>	<b>0.07</b>	<b>0.09</b>	<b>0.10</b>	<b>0.12</b>
<b>ODA Commitment</b>	<b>771.7</b>	<b>892.0</b>	<b>1,381.9</b>	<b>1,667.8</b>	<b>1,980.1</b>	<b>1,996.3</b>

Note : 1) Other ODA not assigned to the above categories (historical series)

2) Other World Banks (IBRD, IFC and MIGA)



Since 2005, in which Korea was not a DAC member, Korea has increased aid volumes by 56%, and has enhanced development assistance in accordance with Korea's economic growth and global status to international development objectives. Korea did not waver in its commitment to increase aid volume and effectiveness even after severe external economic shocks, because Korea prioritizes support for developing countries. In fact, Korea increased ODA commitment volumes by 0.8% over the previous year to total USD 1,996.3 million in 2010. In addition, Korea hosted HLF-4 on Aid Effectiveness and made great efforts to expand partnerships for development cooperation.

## ODA VOLUME

Korea's net ODA disbursement in 2010 totaled USD 1,173.8 million\*, a 43.8% increase from 2009. Bilateral loans soared by 53% from USD 214 million in 2009 to USD 327 million in 2010. Gross disbursement as well as commitment have steadily increased annually. Multilateral ODA increased by 16% in 2010. Bilateral ODA accounted for 76.7% of total ODA, amounting to USD 900.6 million, while multilateral ODA comprised 23.3% or USD 273 million. As a result of the increase in total ODA, ODA/GNI ratio of Korea rose from 0.10% in 2009 to 0.12% in 2010.

\* Korea's ODA volume excludes assistance to the Democratic People's Republic of Korea (North Korea). ODA eligible portion of assistance to North Korea totaled approximately USD 17.4 million in 2010.

## ODA COMPOSITION

### BILATERAL ODA

Net disbursement of bilateral ODA in 2010 amounted to USD 900.6 million, a 55% year-on-year increase. Bilateral ODA increased in terms of both bilateral loans and grants. Bilateral loans accounted for 36.3% of total bilateral ODA, amounting USD 327 million, while bilateral grants accounted for 63.7%, amounting to USD 574 million.

EDCF, Korea's bilateral loan program, extended a net USD 327 million in 2010, while gross disbursement amounted to USD 359 million. These amounts represent increases of 53% and 45%, respectively. EDCF loan disbursement is anticipated to continue increasing in the future. Additionally, commitment volumes increased to USD 1,091 million in 2010, which exceeded the previous year's forecast amount of USD 1,080 million.



## KOREA'S ODA IN 2010

Among bilateral grants, project aid accounted for the largest share (at 59.6%), followed by technical cooperation (TC) (18.2%). TC programs, which mostly target human resource development, included the use of trainers and volunteers, and the dispatch of experts. TC allows donor countries, such as Korea which has a relatively small ODA volume, to operate development cooperation programs efficiently and share Korea's unique development experience. Most grant programs were supported by KOICA.

### MULTILATERAL ODA

Multilateral ODA (in net disbursement) increased from USD 235 million in 2009 to USD 273 million in 2010. However, due to the dramatic increase in bilateral ODA, the proportion of multilateral ODA decreased from 28.8% in 2009 to 23.3% in 2010. Contributions and subscriptions to the World Bank Group (USD 111 million) accounted for the largest portion with 40.7%, followed by those to UN agencies (USD 77 million) and regional development banks (USD 66 million). Among regional development banks, ADB received the largest amount of ODA (USD 43 million) while ODA amounts to the AfDB (USD 14 million) and IDB (USD 8 million) ranked second and third, respectively.

### TOP 10 RECIPIENTS OF BILATERAL ODA IN 2010 (Net Disbursement)

COUNTRY	(Unit: USD Million)			
	Grant	Loan	Total	Share(%)
Vietnam	32.4	63.6	96.0	10.6
Afghanistan	93.7	-	93.7	10.4
Bangladesh	9.2	45.4	54.7	6.1
Sri Lanka	11.6	31.9	43.5	4.8
Mongolia	29.0	10.1	39.1	4.3
<b>Top 5 Recipients</b>	<b>175.9</b>	<b>151.0</b>	<b>327.0</b>	<b>36.2</b>
Cambodia	19.1	18.2	37.3	4.1
Uzbekistan	11.9	20.3	32.2	3.6
The Philippines	10.0	19.5	29.5	3.3
Laos	14.1	13.7	27.8	3.1
Bosnia-Herzegovina	0.0	25.1	25.1	2.8
<b>Top 10 Recipients</b>	<b>231.0</b>	<b>247.8</b>	<b>478.8</b>	<b>53.1</b>

## GEOGRAPHIC DISTRIBUTION OF BILATERAL ODA

In 2010, 65.2% of bilateral ODA was channeled to the Asian region, while 15.5% went to Africa and 7.2% went to Central and Latin America. ODA to Asia was comprised of grants (58.1%) and loans (41.9%). The geographical proximity of many Asian countries and the interest expressed by many Asian countries to emulate Korea's development experience partially accounts for the concentration of ODA. Africa's share of ODA has grown in recent years from 2.7% in 2002, to 15.5% in 2010. Although ODA to Africa slightly decreased in 2010 from the previous year (16.3%), the overall increase demonstrates strengthened ties between Africa and Korea.

### BILATERAL ODA BY REGION AND INCOME GROUP (Net Disbursement)

(Unit : USD Million)

REGION	2009		2010	
	Amount	Share (%)	Amount	Share (%)
<b>Africa</b>	<b>95.0</b>	<b>16.3</b>	<b>139.9</b>	<b>15.5</b>
Sub-Saharan Africa	74.7	12.9	117.2	1.7
North Africa	13.6	2.3	15.2	13.0
Africa Unallocated	6.7	1.1	7.5	0.8
<b>Asia</b>	<b>313.5</b>	<b>54.0</b>	<b>587.3</b>	<b>65.2</b>
Far-East Asia	188.5	32.5	263.4	29.3
South & Central Asia	96.0	16.5	283.9	31.5
Middle East	21.4	3.7	34.3	3.8
Asia Unallocated	7.6	1.3	5.7	0.6
<b>America</b>	<b>55.8</b>	<b>9.6</b>	<b>64.5</b>	<b>7.2</b>
Central America	36.4	6.2	30.8	3.4
South America	18.4	3.2	33.6	3.7
America Unallocated	1.1	0.2	0.1	0.0
<b>Oceania</b>	<b>1.5</b>	<b>0.2</b>	<b>5.6</b>	<b>0.6</b>
<b>Europe</b>	<b>46.4</b>	<b>8.0</b>	<b>38.7</b>	<b>4.3</b>
<b>Unallocated</b>	<b>68.9</b>	<b>11.9</b>	<b>64.7</b>	<b>7.2</b>
<b>Total</b>	<b>581.1</b>	<b>100.0</b>	<b>900.6</b>	<b>100</b>
Least-Developed Countries	161.2	27.7	333.4	37.0
Other Low-Income Countries	76.4	13.2	168.3	18.7
Lower-Middle-Income Countries	204.2	35.1	280.3	31.1
Upper-Middle-Income Countries	38.8	6.7	22.4	2.5
Unallocated	100.5	17.3	96.2	10.7
<b>Total</b>	<b>581.1</b>	<b>100.0</b>	<b>900.6</b>	<b>100.0</b>

## KOREA'S ODA IN 2010

Vietnam, which continued to be the largest partner of Korea's ODA in 2010, received 10.6%. Vietnam was followed by Afghanistan (10.4%), Bangladesh (6.1%), Sri Lanka (4.8%), Mongolia (4.3%), Cambodia (4.1%), Uzbekistan (3.6%), the Philippines (3.3%), Laos (3.1%) and Bosnia-Herzegovina (2.8%). Korea's top 10 partner countries received 53.1% of Korea's bilateral ODA.

Looking at the distribution of ODA according to income groups, 37% of bilateral ODA was allocated to least-developed countries (LDCs) and 31.1% to lower-middle-income countries (LMICs) with a per capita GNI of between USD 1,006 and USD 3,975 in 2010. 2.5% of ODA went to other lower-income countries (OLICs) with a per capita GNI of less than USD 1,005 and upper-middle-income countries (UMICs) with a per capita GNI of less than USD 6,925.

### SECTORAL DISTRIBUTION OF BILATERAL ODA

As for sectoral distribution, economic and social infrastructure accounted for 50.1% (USD 905.8 million) and 33.7% (USD 610.4 million) of bilateral ODA commitment respectively. More specifically, transportation and storage (20.5%) received the greatest amount of ODA followed by education (17.9%), water supply and sanitation (15.6%), energy (10.2%) and government and civil society (8.5%).

Reflecting the growing demand for social overhead capital, Korea's bilateral ODA continued to focus on economic and social infrastructure and services. In particular, transportation and storage were designated as top priorities among economic infrastructure sectors as assistance to the transportation sector is anticipated to greatly relieve traffic congestion and ultimately contribute to balanced development of affected regions.



## SECTORAL DISTRIBUTION OF BILATERAL ODA (Commitment)

(Unit : USD Million)

SECTOR	2009		2010	
	Amount	Share (%)	Amount	Share (%)
<b>Social Infrastructure &amp; Services</b>	<b>402.4</b>	<b>27.8</b>	<b>905.8</b>	<b>50.1</b>
Education	139.0	9.6	324.4	17.9
Health	150.1	10.4	131.3	7.3
Population Programs	3.5	0.2	5.1	0.3
Water Supply & Sanitation	70.7	4.9	283.2	15.6
Government & Civil Society	25.9	1.8	153.7	8.5
Other Social Infrastructure & Services	13.2	0.9	8.2	0.5
<b>Economic Infrastructure &amp; Services</b>	<b>876.6</b>	<b>60.5</b>	<b>610.4</b>	<b>33.7</b>
Transportation & Storage	641.2	44.2	370.5	20.5
Communications	114.7	7.9	49.3	2.7
Energy	119.1	8.2	184.8	10.2
Banking & Financial Services	1.1	0.1	2.6	0.1
Business & Other Services	0.5	0.1	3.1	0.2
<b>Production Sectors</b>	<b>57.2</b>	<b>3.9</b>	<b>100.4</b>	<b>5.5</b>
Agriculture, Forestry, Fishing	37.7	2.6	91.7	5.1
Industry, Mining, Construction	17.1	1.2	6.6	0.4
Trade & Tourism	2.4	0.1	2.2	0.1
<b>Multisector</b>	<b>59.0</b>	<b>4.1</b>	<b>117.6</b>	<b>6.5</b>
<b>Humanitarian Aid</b>	<b>14.1</b>	<b>1.0</b>	<b>20.7</b>	<b>1.1</b>
<b>Administrative Costs of Donors</b>	<b>27.8</b>	<b>1.9</b>	<b>38.4</b>	<b>2.1</b>
<b>Support to NGOs</b>	<b>7.8</b>	<b>0.5</b>	-	-
<b>Other <sup>1)</sup></b>	<b>5.3</b>	<b>0.4</b>	<b>16.3</b>	<b>0.9</b>
<b>Total</b>	<b>1,450.2</b>	<b>100.0</b>	<b>1,809.6</b>	<b>100.0</b>

Note : 1) Unallocated/unspecified : aid which does not fall under a specific category in this table, and in the case of project or sector assistance, commitment for which the sectoral destination had not been specified.

# APPENDIX



The Korean government entrusted Korea Eximbank with functions related to the operation and management of EDCF. Pursuant to governmental guidelines, Korea Eximbank comprehensively manages the appraisal and evaluation of related projects, execution of loan agreements and provision of advisory services.

- 60 KOREA'S ODA SYSTEM
- 62 EDCF OPERATIONAL SYSTEM
- 66 EDCF LOAN PROCEDURE CHART
- 67 STATISTICAL INFORMATION ON EDCF
- 73 FINANCIAL REPORT
- 80 OVERSEAS NETWORK







# KOREA'S ODA SYSTEM

## Focusing on Bilateral ODA

### OVERVIEW

Korea's ODA takes two forms: bilateral and multilateral aid. Bilateral aid consists of concessional loans and grants but bilateral loans are extended as EDCF loans, while bilateral grants include both grant aid and technical cooperation. Multilateral aid, on the other hand, consists of grants, capital subscriptions, and concessional lending to multilateral agencies.

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

In order to coordinate the decentralized assistance system of Korea and to enhance cooperative discussions among ministries, CIDC was founded in January 2006 with the Prime Minister as Chairman. The CIDC was created with a mandate to deliberate the key policies and plans of Korea's ODA. The main functions of the CIDC are to review major policies on development cooperation, mid-term and annual ODA plans and ODA performance assessment.

### BILATERAL LOANS

EDCF was established on June 1, 1987. The vision behind EDCF was, and continues to be, to support the efforts of developing countries promote industrial growth and improve economic stability. At the same time, EDCF serves as a bridge by which

Korea can develop sound economic relations with other countries. The Korean government entrusted Korea Eximbank with functions related to the operation and management of EDCF. Pursuant to governmental guidelines, Korea Eximbank comprehensively manages the appraisal and evaluation of related projects, execution of loan agreements, and provision of advisory services.

EDCF assumes responsibilities commensurate with Korea's present international status and makes great efforts to benefit the global economic community and EDCF shares both resources and accumulated experience with developing countries around the world.

The Korean government regulates main EDCF policies, oversees the general operation of EDCF and bears responsibility for its management. Although MOSF is responsible for overseeing EDCF, other ministries including MOFAT and the Ministry of Knowledge Economy are also consulted when critical matters related to developmental assistance policies are decided.

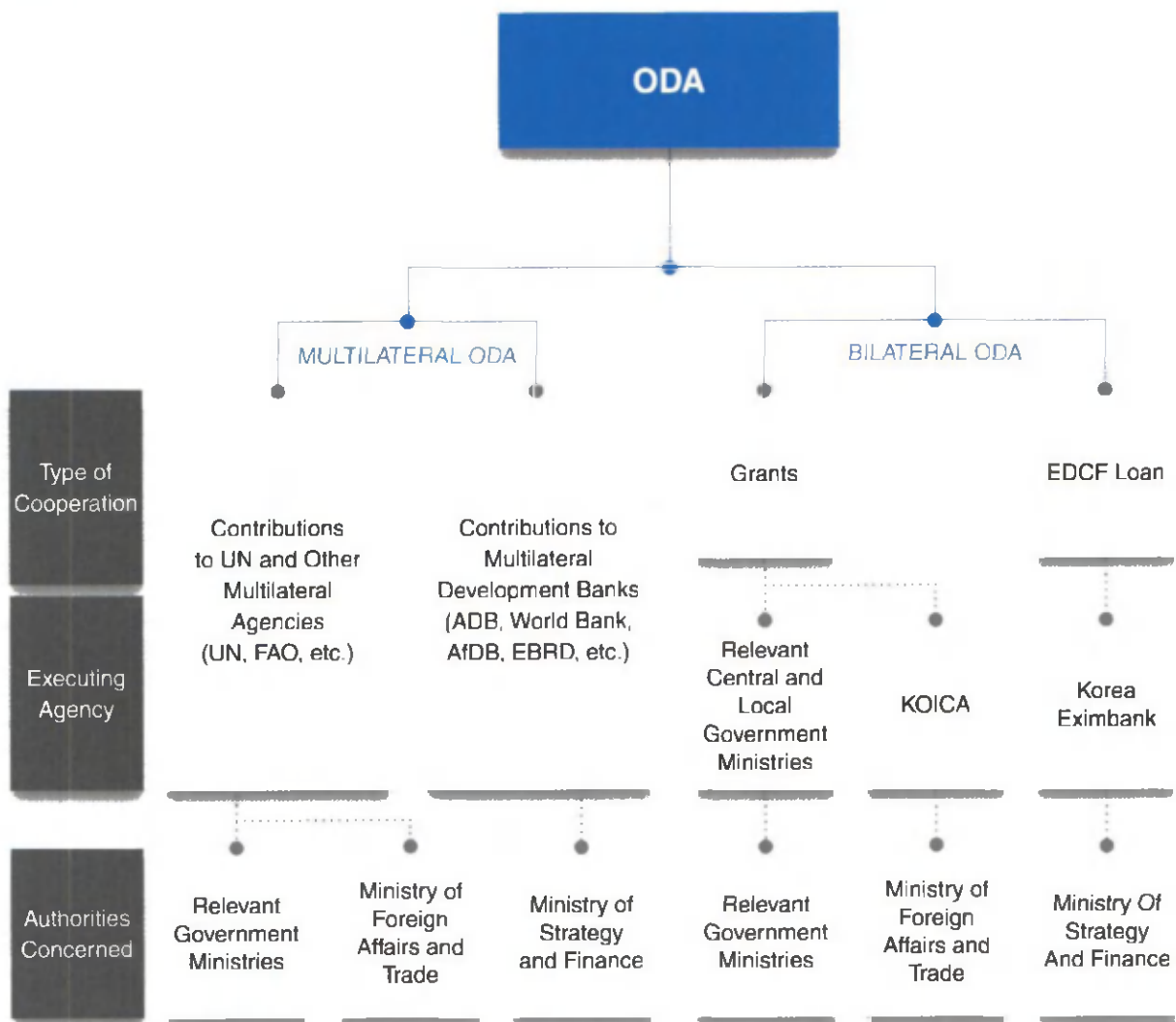
The Fund Management Council was created to review issues concerning the operation and management of EDCF. It is composed of members from various ministries and chaired by MOSF.

### BILATERAL GRANTS

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



**KOREA'S ODA SYSTEM**



In order to coordinate the decentralized assistance system of Korea and to enhance cooperative discussions among ministries, CIDC was founded in January 2006 with the Prime minister as the chairman.

# EDCF OPERATIONAL SYSTEM

## Outline of EDCF Loans

### TERMS AND CONDITIONS

Governments and governmental institutions in developing countries are striving to build and expand a foundation for development in a wide range of fields, from social and economic infrastructure to environmental quality. Yet in many instances, they lack the financial resources to carry out their development plans. As the purpose of EDCF loans to foreign governments is to provide assistance for the social and economic development of these countries, such loans are provided on a concessional basis. The applicable terms and conditions of the loans are organized according to five categories of developing countries. Such categories take into consideration a country's economic development phase and per-capita income level, as well as other relevant factors.

#### Terms and Conditions for EDCF Loans

- **Loan Amount:** Up to 100% of total project cost
- **Interest Rate:** 0.01%–2.5% per annum
- **Repayment Period:** Up to 40 years, including a maximum 15-year grace period
- **Loan Currency:** Korean won (In special cases, such as untied loans, US dollar or Euro is acceptable.)
- **Repayment Frequency:** Semi-annual

### TYPES OF LOANS

In recent years, the accumulated external debt and budget deficits of partner countries have spurred the need for various types of financing. Thus, EDCF provides several types of lending programs. Of these lending programs, development project loans and equipment loans for infrastructure construction account for the largest portion to date.

#### Development Project Loan

Provided to governments or corporations of developing countries conducting specific development projects

#### Equipment Loan

Provided to governments or corporations of developing countries procuring equipments and materials needed for industrial development in specific sectors

#### Public Private Partnership Loan

Provided to governments or corporations of developing countries conducting PPP projects

#### Two-step Loan

Provided to governments or financial institutions of developing countries sub-lending to end-users

#### Commodity Loan

Provided to governments or corporations importing commodities in order to contribute to the economic stabilization of the partner country

## PROJECT CYCLE

### PROJECT IDENTIFICATION & PREPARATION

Most developing countries prepare multi-year development plans in line with their respective 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 plans and strategies.

To determine a project's feasibility, economic and technical aspects must be closely examined. Feasibility studies may be carried out either by the respective governments or multilateral organizations such as WB and ADB. Feasibility studies may also receive technical assistance from donor countries.

If the government of a developing country requires assistance in preparing for a project financed by EDCF, the government may request project preparation assistance from Korea Eximbank or the Korean government. Often times, developing countries are often unable to undertake detailed project planning due to financial and technical limitations. In such cases, support in the form of a Project Preparation Facility may be provided on a grant basis.

A feasibility study should provide all data necessary for project decision-making including information regarding economic, financial, technical and environmental aspects.

More importantly, a project seeking an EDCF loan should comply with provisions regarding 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.

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

### 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 stationed in the respective country.

After receipt, the Korean embassy forwards the request to MOSF via MOFAT of Korea. At this stage, Korea Eximbank may send a fact-finding mission to obtain further information. Collection of information on all aspects of the proposed project is required to sufficiently justify proceeding to the next stage of appraisal.

### PROJECT APPRAISAL

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

An appraisal involves a detailed review of the feasibility studies related to the project. Through the appraisal process, Korea Eximbank determines whether the project is consistent with the Bank's operational policies and programs and whether it is suitable for financing.

In addition, Korea Eximbank dispatches an appraisal mission to the country to conduct on-site surveys, collect information and meet officials of the prospective borrowing country.

# EDCF OPERATIONAL SYSTEM

## Outline of EDCF Loans

### THE KOREAN GOVERNMENT'S DECISION ON EDCF LOANS

Korea Eximbank completes the appraisal report and submits it along with its recommendations to MOSF. MOSF then confirms the economic, financial and technical soundness of the project based on the appraisal report of Korea Eximbank. After consulting with the relevant ministries, MOSF makes a final decision on the loan request and notifies the borrowing country through MOFAT.

#### Agreement and Arrangement between Governments

An Agreement (AG) is concluded between the Korean government and the borrowing country's government. The AG outlines the basic framework of the EDCF loan and the responsibilities of the respective parties. Once signed by both parties, the AG remains in force for a minimum of ten years.

The two governments also sign an Arrangement (AR) stating the basic financing terms and conditions for each individual project. While the AG is in force, only an AR needs to be signed for any new EDCF loan. Instead of signing an individual AR for every project, the two governments can sign a Framework Arrangement (FA) which enables the borrowing country to be given EDCF loans up to the maximum amount under the specified terms, conditions and period.

The AG and AR 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 (LA), Korea Eximbank requests that the borrowing country answer a legally binding questionnaire to determine the legal background pertaining to the loan. The questionnaire should be answered by the Minister of Justice or someone of commensurate authority to provide objective and definitive answers.

When loan negotiations are completed and specific terms and conditions are agreed upon, a LA is signed between Korea Eximbank and the borrower. The LA 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 LA is signed, the project is implemented by the Project Executing Agency (PEA) in accordance with the agreed schedule and procedures.

#### Procurement

The borrower is responsible for 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 procurement guidelines have been followed.

The procurement method most acceptable to Korea Eximbank is competitive bidding among Korean suppliers in accordance with the 'Guideline for Procurement under the EDCF loan'.

### 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 project 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 assistance 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.

### Disbursement

Loan proceeds are disbursed at the borrower's request as the project progresses. 'Commitment Procedures', 'Reimbursement Procedures' and 'Direct Payment Procedures' may be adopted as the mode of payment in accordance with the 'Disbursement Procedures under the EDCF loan'.

## POST EVALUATION

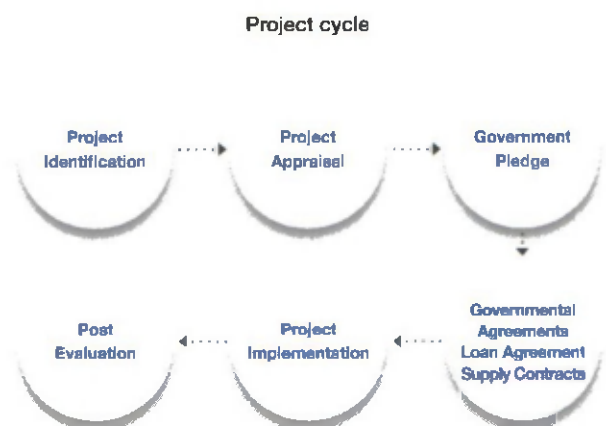
The primary purpose of the evaluation is to improve the quality of EDCF assistance by incorporating lessons learned and recommendations from similar projects in the past and to ensure accountability and transparency by providing evaluation results to various stakeholders. In this context, Korea Eximbank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

### Completion Evaluation

Completion evaluation is carried out on all projects when the project has been fully implemented. This process reviews how the original plan corresponds with the outcome of the project through a check-list method of the Project Completion Report (PCR) provided by the PEA. The PEA should submit the PCR within six months after the project completion date or such later date as shall be agreed upon between the PEA and Korea Eximbank.

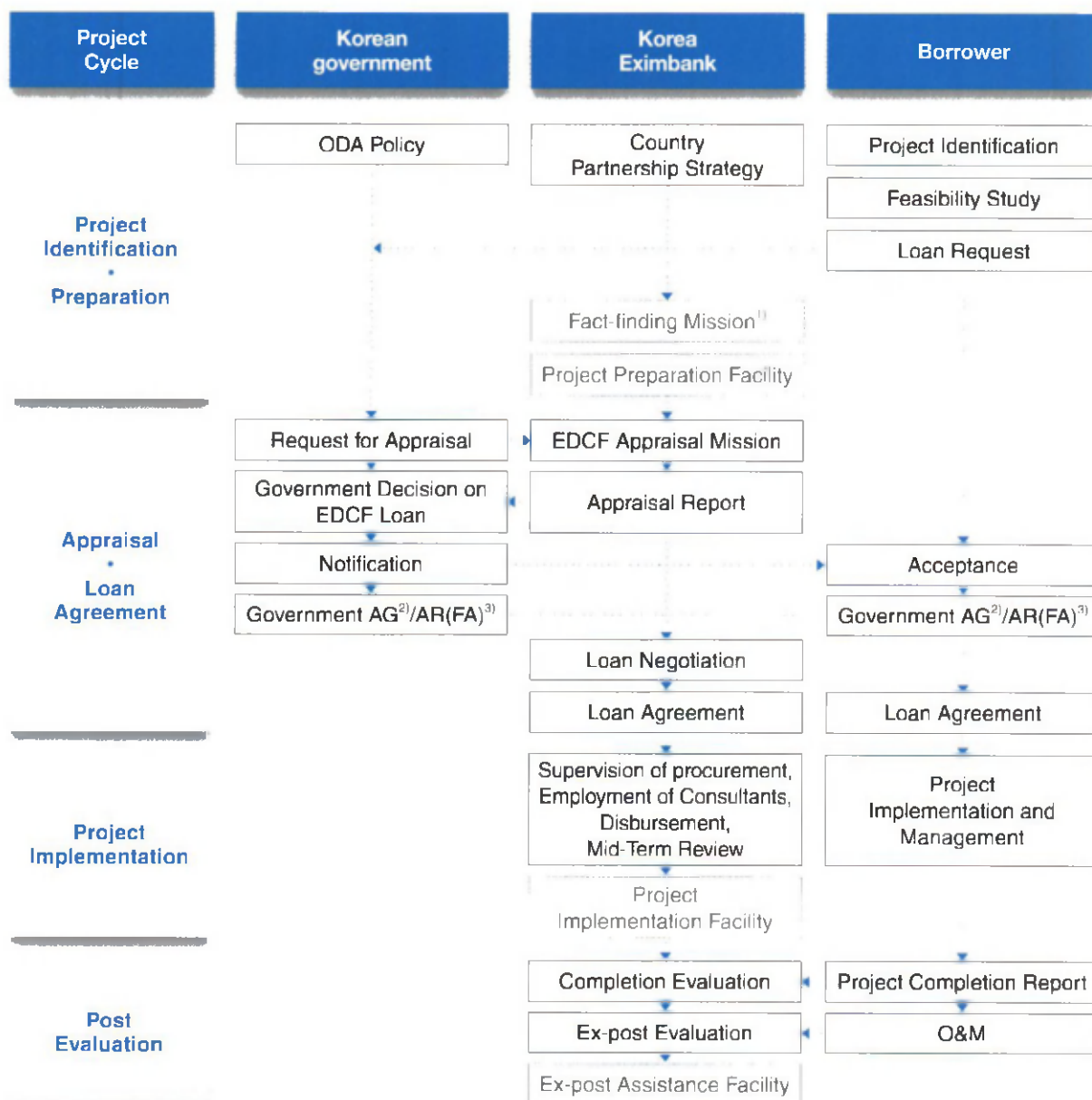
### Ex-post Evaluation

Two years after completion evaluation, an independent evaluation unit of Korea Eximbank performs an ex-post evaluation of the project based on the international evaluation criteria of Relevance, Efficiency, Effectiveness, Impact and Sustainability. The lessons learned and recommendations from the ex-post evaluation benefit the borrowing country by improving its capacity to prepare, implement and maintain development projects. When necessary and requested by the borrowing country, Korea Eximbank may provide the 'Ex-Post Assistance Facility' to the borrowing country to deal with issues and problems arising from the completed project and to ensure the long-term sustainability of the project.





# EDCF LOAN PROCEDURE CHART



Note : 1) Procedures in gray letters are not compulsory. 2) AG: Agreement 3) AR: Arrangement, FA: Framework Arrangement

# STATISTICAL INFORMATION ON EDCF

## LOANS AND SOURCES OF FUND

### LOANS

(Unit : KRW Billion)

YEAR	1987-2006	2007	2008	2009	2010	2011	Total
<b>Commitment<sup>1)</sup></b>	<b>2,723,824</b>	<b>643,350</b>	<b>1,066,384</b>	<b>1,202,425</b>	<b>1,261,451</b>	<b>1,227,860</b>	<b>8,125,294</b>
Loans to foreign governments	2,722,228	643,350	1,066,384	1,202,425	1,261,451	1,227,860	8,123,698
Loans for Korean investments in developing countries	1,596	-	-	-	-	-	1,596
<b>Disbursement</b>	<b>1,617,844</b>	<b>155,335</b>	<b>237,136</b>	<b>312,814</b>	<b>410,698</b>	<b>509,716</b>	<b>3,243,544</b>
Loans to foreign governments	1,616,248	155,335	237,136	312,814	410,698	509,716	3,241,948
Loans for Korean investments in developing countries	1,596	-	-	-	-	-	1,596
<b>Number of Commitment</b>	<b>150</b>	<b>19</b>	<b>27</b>	<b>30</b>	<b>23</b>	<b>28</b>	<b>277</b>
Loans to foreign governments	148	19	27	30	23	28	275
Loans for Korean investments in developing countries	2	-	-	-	-	-	2

Note : 1) Yearly EDCF commitment amounts were converted at the 2011 year-end foreign exchange rate.

### SOURCES OF FUND<sup>2)</sup>

(Unit : KRW Billion)

YEAR	2007	2008	2009	2010	2011
Contributions from Government	1,099,870	1,259,870	1,379,870	1,529,870	<b>1,879,870</b>
Borrowings from Government	136,656	116,324	95,993	78,328	<b>37,331</b>
Operational Profit and Reserves	880,328	929,820	994,032	1,035,260	<b>883,988</b>
<b>Total</b>	<b>2,116,854</b>	<b>2,306,015</b>	<b>2,469,895</b>	<b>2,643,457</b>	<b>2,801,189</b>

Note : 2) Accumulated total at the end of each year

YEAR	2007	2008	2009	2010	2011
Contributions from Government	52.0%	54.6%	55.9%	57.9%	<b>67.1%</b>
Borrowings from Government	6.5%	5.0%	3.9%	3.0%	<b>1.3%</b>
Operational Profit and Reserves	41.6%	40.3%	40.2%	39.2%	<b>31.6%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# STATISTICAL INFORMATION ON EDCF

## REGIONAL DISTRIBUTION<sup>1)</sup> OF LOAN (AS OF DECEMBER 31, 2011)

### COMMITMENT

(Unit : KRW Million)

YEAR	2011			Cumulative Total		
	Number	Amount <sup>2)</sup>	Share	Number	Amount <sup>2)</sup>	Share
<b>Asia</b>	<b>17</b>	<b>673,062</b>	<b>54.8%</b>	<b>194</b>	<b>5,475,454</b>	<b>67.4%</b>
South & Central Asia	8	258,333	21.0%	54	1,512,336	18.6%
Far East Asia <sup>3)</sup>	9	414,729	33.8%	132	3,681,526	45.3%
Middle East	-	-	-	8	281,592	3.5%
<b>Africa</b>	<b>6</b>	<b>357,222</b>	<b>29.1%</b>	<b>45</b>	<b>1,601,039</b>	<b>19.7%</b>
North of Sahara	-	-	-	1	26,854	0.3%
South of Sahara	6	357,222	29.1%	44	1,574,185	19.4%
<b>Europe</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>433,383</b>	<b>5.3%</b>
<b>Oceania</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>16,448</b>	<b>0.2%</b>
<b>America</b>	<b>5</b>	<b>197,576</b>	<b>16.1%</b>	<b>23</b>	<b>598,970</b>	<b>7.4%</b>
North & Central America	3	112,186	9.1%	15	333,134	4.1%
South America	2	85,390	7.0%	8	265,836	3.3%
<b>Total</b>	<b>28</b>	<b>1,227,860</b>	<b>100.0%</b>	<b>277</b>	<b>8,125,294</b>	<b>100.0%</b>
		<b>[1,053.97]<sup>4)</sup></b>			<b>[7,291.15]<sup>4)</sup></b>	

Note : 1) Regional classification is based on DAC classification.

2) Yearly EDCF commitment amounts were converted at the 2011 year-end foreign exchange rate.

3) Includes two loans for Korean investments in developing countries, which amounted to KRW 1,596.00 million.

4) Unit : USD Million



## REGIONAL DISTRIBUTION<sup>1)</sup> OF LOAN (AS OF DECEMBER 31, 2011)

### DISBURSEMENT

(Unit : KRW Million)

YEAR	2011			Cumulative Total		
	Number	Amount	Share	Number	Amount	Share
<b>Asia</b>	<b>62</b>	<b>406,807</b>	<b>79.8%</b>	<b>161</b>	<b>2,316,202</b>	<b>71.4%</b>
South & Central Asia	17	154,964	30.4%	43	781,247	24.1%
Far East Asia <sup>2)</sup>	42	220,387	43.2%	110	1,438,141	44.3%
Middle East	3	31,455	6.2%	8	96,813	3.0%
<b>Africa</b>	<b>17</b>	<b>66,881</b>	<b>13.1%</b>	<b>28</b>	<b>372,614</b>	<b>11.5%</b>
North of Sahara	-	-	-	1	24,874	0.8%
South of Sahara	17	66,881	13.1%	27	347,739	10.7%
<b>Europe</b>	<b>1</b>	<b>15,675</b>	<b>3.1%</b>	<b>11</b>	<b>362,565</b>	<b>11.2%</b>
<b>Oceania</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>8,153</b>	<b>0.3%</b>
<b>America</b>	<b>4</b>	<b>20,353</b>	<b>4.0%</b>	<b>12</b>	<b>184,011</b>	<b>5.7%</b>
North & Central America	3	6,438	1.3%	9	135,178	4.2%
South America	1	13,916	2.7%	3	48,833	1.5%
<b>Total</b>	<b>84</b>	<b>509,716</b>	<b>100.0%</b>	<b>213</b>	<b>3,243,544</b>	<b>100.0%</b>

Note : 1) Regional classification is based on DAC classification.

2) Includes two loans for Korean investments in developing countries, which amounted to KRW 1,596.00 million.

# STATISTICAL INFORMATION ON EDCF

## SECTOR DISTRIBUTION OF LOAN (AS OF DECEMBER 31, 2011)

### COMMITMENT

(Unit : KRW Million)

YEAR	2011			Cumulative Total		
	Number	Amount <sup>1)</sup>	Share	Number	Amount <sup>1)</sup>	Share
<b>Social Infrastructure</b>	<b>11</b>	<b>509,359</b>	<b>41.5%</b>	<b>116</b>	<b>3,301,433</b>	<b>40.6%</b>
Education	3	77,048	6.3%	29	733,156	9.0%
Health	4	130,721	10.6%	33	839,421	10.3%
Water supply & sanitation	3	185,107	15.1%	39	1,287,239	15.8%
Government & civil society	1	116,483	9.5%	15	441,617	5.4%
<b>Economic Infrastructure</b>	<b>15</b>	<b>631,109</b>	<b>51.4%</b>	<b>136</b>	<b>4,374,253</b>	<b>53.8%</b>
Transport & storage	8	356,720	29.1%	76	2,828,709	34.8%
Communications	2	50,670	4.1%	31	633,973	7.8%
Energy	5	223,719	18.2%	29	911,571	11.2%
<b>Production Sectors</b>	<b>2</b>	<b>87,392</b>	<b>7.1%</b>	<b>12</b>	<b>289,674</b>	<b>3.6%</b>
Agriculture, forestry & fishing <sup>2)</sup>	2	87,392	7.1%	12	289,674	3.6%
<b>Multisector<sup>3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>23,086</b>	<b>0.3%</b>
<b>Unallocated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>136,848</b>	<b>1.7%</b>
<b>Total</b>	<b>28</b>	<b>1,227,860</b>	<b>100.0%</b>	<b>277</b>	<b>8,125,294</b>	<b>100.0%</b>
		<b>[1,053.97]<sup>4)</sup></b>			<b>[7,291.15]<sup>4)</sup></b>	

Note : 1) Yearly EDCF commitment amounts were converted at the 2011 year-end foreign exchange rate.

2) Includes two loans for Korean investments in developing countries, which amounted to KRW 1,596.00 million.

3) Includes general environmental protection

4) Unit : USD Million

**SECTOR DISTRIBUTION OF LOAN** (AS OF DECEMBER 31, 2011)**DISBURSEMENT**

(Unit : KRW Million)

YEAR	2011			Cumulative Total		
	Number	Amount	Share	Number	Amount	Share
<b>Social Infrastructure</b>	<b>39</b>	<b>174,407</b>	<b>34.2%</b>	<b>85</b>	<b>1,162,377</b>	<b>35.8%</b>
Education	12	62,798	12.3%	19	260,071	8.0%
Health	12	49,426	9.7%	24	339,991	10.5%
Water supply & sanitation	13	51,868	10.2%	31	368,086	11.3%
Government & civil society	2	10,315	2.0%	11	194,229	6.0%
<b>Economic Infrastructure</b>	<b>40</b>	<b>316,437</b>	<b>62.1%</b>	<b>108</b>	<b>1,819,988</b>	<b>56.1%</b>
Transport & storage	26	260,399	51.1%	59	1,065,906	32.9%
Communications	7	22,544	4.4%	27	437,299	13.5%
Energy	7	33,494	6.6%	22	316,783	9.8%
<b>Production Sectors</b>	<b>2</b>	<b>13,331</b>	<b>2.6%</b>	<b>9</b>	<b>151,820</b>	<b>4.7%</b>
Agriculture, forestry & fishing <sup>1)</sup>	2	13,331	2.6%	9	151,820	4.7%
<b>Multisector<sup>2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>14,790</b>	<b>0.5%</b>
<b>Unallocated</b>	<b>3</b>	<b>5,540</b>	<b>1.1%</b>	<b>9</b>	<b>94,569</b>	<b>2.9%</b>
<b>Total</b>	<b>84</b>	<b>509,716</b>	<b>100.0%</b>	<b>213</b>	<b>3,243,544</b>	<b>100.0%</b>

Note : 1) Includes two loans for Korean investments in developing countries, which amounted to KRW 1,596.00 million.

2) Includes general environmental protection



# STATISTICAL INFORMATION ON EDCF

## DISTRIBUTION BY COUNTRIES

(Unit : KRW Million)

COUNTRIES	Amount			
	Commitment	Share	Disbursement	Share
Vietnam	1,639,894	20.2%	452,226	13.9%
Indonesia	557,052	6.8%	227,787	7.0%
Bangladesh	553,433	6.8%	274,446	8.5%
Sri Lanka	498,814	6.1%	296,851	9.2%
The Philippines	435,353	5.4%	108,470	3.3%
Cambodia	383,719	4.7%	198,412	6.1%
Tanzania	323,710	4.0%	29,207	0.9%
Angola	255,700	3.1%	138,243	4.3%
China	233,567	2.9%	217,987	6.7%
Jordan	231,602	2.9%	64,430	2.0%
Mozambique	223,859	2.8%	5,661	0.2%
Ghana	203,919	2.5%	60,597	1.9%
Laos	195,058	2.4%	80,426	2.5%
Pakistan	174,983	2.2%	25,375	0.8%
Mongolia	160,040	2.0%	75,995	2.3%
Bolivia	157,408	1.9%	23,753	0.7%
Uzbekistan	146,190	1.8%	94,958	2.9%
Nicaragua	118,869	1.5%	59,637	1.8%
Bosnia-Herzegovina	117,168	1.4%	81,907	2.5%
Turkey	104,787	1.3%	69,247	2.1%
Mali	99,418	1.2%	13,368	0.4%
Dominican Republic	93,235	1.1%	20,841	0.6%
Ethiopia	91,323	1.1%	-	0.0%
Senegal	81,396	1.0%	25,833	0.8%
Nepal	80,907	1.0%	57,364	1.8%
Romania	80,888	1.0%	80,884	2.5%
D.R. Congo	79,108	1.0%	-	0.0%
Myanmar	76,843	0.9%	76,839	2.4%
Honduras	70,872	0.9%	32,237	1.0%
Ecuador	61,835	0.8%	25,080	0.8%
Madagascar	51,392	0.6%	7,815	0.2%
Yemen	49,990	0.6%	32,383	1.0%
Kenya	49,164	0.6%	41,392	1.3%
Colombia	46,593	0.6%	-	0.0%
Croatia	44,178	0.5%	44,169	1.4%
Cameroon	40,769	0.5%	1,236	0.0%
Poland	38,173	0.5%	38,173	1.2%
Uganda	36,626	0.5%	5,406	0.2%
Albania	28,984	0.4%	28,984	0.9%
Guatemala	27,490	0.3%	-	0.0%
Tunisia	26,854	0.3%	24,874	0.8%
Azerbaijan	25,626	0.3%	-	0.0%
Panama	22,668	0.3%	22,463	0.7%
Hungary	19,205	0.2%	19,201	0.6%
Nigeria	18,981	0.2%	18,981	0.6%
Equatorial Guinea	18,820	0.2%	-	0.0%
Papua New Guinea	16,448	0.2%	8,153	0.3%
Kazakhstan	16,269	0.2%	16,140	0.5%
Kyrgyz Republic	16,114	0.2%	16,113	0.5%
<b>Total</b>	<b>8,125,294</b>	<b>100.0%</b>	<b>3,243,544</b>	<b>100.0%</b>

# FINANCIAL REPORT

## Report of Independent Auditors

### TO THE TRUSTEE OF THE ECONOMIC DEVELOPMENT COOPERATION FUND

We have audited the accompanying statements of financial position of Economic Development Cooperation Fund (the "Fund") as of December 31, 2011, and the related statements of financial operations and changes in net assets for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Cooperation Fund as of December 31, 2011 and 2010, and the results of its financial operations, the changes in net assets for the year then ended in conformity with the National Accounting Standards as adopted by the Republic of Korea.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

*Samil PricewaterhouseCoopers*

Seoul, Korea  
February 29, 2012

This report is effective as of February 29, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# FINANCIAL REPORT

## Financial Statements

### STATEMENTS OF FINANCIAL POSITION (DECEMBER 31, 2011 AND 2010)

(Unit : Million)

YEAR	2011		2010
	KRW	USD	KRW
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	50,738	44.5	11,077
Short-term financial instruments	73,000	64.1	40,500
Short-term investments	75,509	66.3	70,491
Accrued income	10,223	9.0	8,723
Short-term loans	54,171	47.6	208,449
Provision for short-term subsidized loan and guarantee	(6,174)	-	-
Other current assets	25	0.02	1,395
<b>Total current assets</b>	<b>257,491</b>	<b>226.1</b>	<b>340,634</b>
Investment Assets:			
Long-term loans	2,722,700	2,390.6	2,305,646
Provision for long-term subsidized loan and guarantee	(182,799)	(160.5)	-
Long-term financial instruments	11,406	10.0	6,095
<b>Total assets</b>	<b>2,808,797</b>	<b>2,466.2</b>	<b>2,652,375</b>
<b>Liabilities and net assets</b>			
Current liabilities:			
Current portion of long-term borrowings	7,000	6.1	40,996
Other current liabilities	232	0.2	151
<b>Total current liabilities</b>	<b>7,231</b>	<b>6.3</b>	<b>41,147</b>
Long-term borrowings	30,332	26.6	37,331
Miscellaneous other non-current liabilities	6,868	6.0	5,276
<b>Total liabilities</b>	<b>44,430</b>	<b>39.0</b>	<b>83,755</b>
Net assets:			
Base net assets	1,259,870	1,106.2	1,259,870
Reserves and surpluses	1,503,988	1,320.6	1,305,260
Adjustments of net assets	509	0.4	3,491
<b>Total net assets</b>	<b>2,764,366</b>	<b>2,427.2</b>	<b>2,568,620</b>
<b>Total liabilities and net assets</b>	<b>2,808,797</b>	<b>2,466.2</b>	<b>2,652,375</b>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF OPERATIONS** (YEARS ENDED DECEMBER 31, 2011 AND 2010)

(Unit : Million)

YEAR	2011						2010		
	Total cost		Revenue		Net cost		Total cost	Revenue	Net cost
	KRW	USD	KRW	USD	KRW	USD	KRW	KRW	KRW
<b>Net cost of programs</b>									
The economic development cooperation program	204,018	176.9	(41,950)	(36.4)	162,068	140.5	11,335	(37,932)	(26,597)
<b>Administration and operating expenses</b>					-	-			-
<b>Non-distributed expenses</b>									
Interest expenses					1,719	1.5			3,862
Losses on valuation of derivatives and foreign currency translation					2,360	2.0			7,574
Other expenses					3,272	2.8			7,931
					7,351	6.4			19,366
<b>Non-distributed income</b>									
Interest income					(10,425)	(9.0)			(16,763)
Gains on valuation of derivatives and foreign currency translation					(1,800)	(1.6)			(9,556)
Gains on disposal of assets					(2,569)	(2.2)			(692)
Other income					(3,331)	(2.9)			(6,986)
					(18,125)	(15.7)			(33,997)
Net cost of operations					97,425	84.5			(41,228)
Non-exchange incomes					-	-			-
Results of operations					97,425	84.5			(41,228)

The accompanying notes are an integral part of these financial statements.

The statement of operations is the financial statement show the result of operations including the costs of the fund's policies or programs and collections of the costs, which is divided into three sections: net cost of programs, net cost of operations and results of operations. The costs and expenses are presented in a plus (+) and the revenues and incomes are presented in a minus (-) in the statement of operations.

Revenues are gross inflow of economic benefit representing an increase in net asset from exchange or non-exchange transactions. Exchange transactions are considerations received in exchange for goods and services. Non-exchange transactions are considerations received mandated by regulation or contribution received.

Expenses are gross outflow of economic benefit representing a decrease in net asset by providing goods or services or from non-exchange transactions. Costs directly related to programs are classified as cost of program and other costs are classified as non-distributed expenses.



# FINANCIAL REPORT

## Notes to Financial Statements

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) The accompanying financial statements have been prepared in accordance with the National Accounting Principles under Article 11-1 of the National Accounting Act.
- (b) The USD amounts are converted, for convenience only, at the basic rate of KRW 1,153.30/USD as of December 30, 2011.
- (c) Interest income from loans and others are recognized on an accrual basis when the income amount is reasonably estimated and a high possibility of an inflow of economic benefits exists.
- (d) Securities are initially carried at cost, including incidental expenses, with cost being determined using the specific identification method. Debt securities are measured at amortized cost. Equity securities and other long-term or short-term investments are measured at an acquisition cost. But equity securities and long-term or short-term investments are recorded at a fair value when the fair value can be reliably measured. And Unrealized gains or losses from securities are presented as adjustments on the statement of changes in net assets.
- (e) Provision for subsidized loan and guarantee is recorded at a difference between principal of the loan and present value of estimated collections. Present value of estimated collections is determined by discounting the total amounts receivable in the future using the effective interest rate (or yield on national bonds of similar conditions when the effective interest rate is not available).

## CASH AND CASH EQUIVALENTS, AND OTHER FINANCIAL ASSETS

Cash and cash equivalents and other financial assets as of December 31, 2011 and 2010 are as follows:

(Unit : Million)

	ANNUAL INTEREST RATE (%)	2011		2010
		KRW	USD	KRW
<b>Cash and cash equivalents:</b>				
Ordinary deposits	-	218	0.2	-
MMDA	2.98 - 3.10	3,520	3.1	5,939
MMF	-	-	-	2,138
Specific money in trust	3.22	17,000	14.7	-
Time deposits in foreign currency	4.06	10,000	8.7	3,000
Cover bills	3.84 - 3.85	20,000	17.3	-
		<b>50,738</b>	<b>44.0</b>	11,077
<b>Short-term financial instruments:</b>				
Time deposits in local currency	4.23 - 4.69	73,000	63.3	40,500
		<b>73,000</b>	<b>63.3</b>	<b>40,500</b>
		<b>123,738</b>	<b>107.3</b>	<b>51,577</b>

As of December 31, 2011, no cash and cash equivalents and short-term financial instruments are subject to withdrawal restriction.

# FINANCIAL REPORT

## Notes to Financial Statements

### SHORT-TERM AND LONG-TERM INVESTMENTS

Short-term and long-term investments as of December 31, 2011 and 2010 are as follows :

(Unit : Million)

	2011						2010		
	Acquisition cost		Fair value		Book value		Acquisition cost	Fair value	Book value
	KRW	USD	KRW	USD	KRW	USD	KRW	KRW	KRW
Short-term investments									
Equity securities <sup>1)</sup>	75,000	65.0	75,509	65.5	75,509	65.5	67,000	70,491	70,491
Long-term investments									
Equity securities <sup>2)</sup>	11,405	10.0	11,405	10.0	11,405	10.0	6,095	6,095	6,095
<b>Total</b>	<b>86,405</b>	<b>75.0</b>	<b>86,914</b>	<b>75.5</b>	<b>86,914</b>	<b>75.5</b>	<b>73,095.0</b>	<b>76,586.0</b>	<b>76,586.0</b>

Note : 1) Short-term investments in equity securities under trading and available-for-sale were valued at their market values. On December 31, 2011, gain on valuation of short-term investments amounting to KRW 393 million (2010 : KRW 3,067 million) and loss on valuation of short-term investments amount to KRW 1,990 million was added to the book value. And recognized interest income related to the short-term investments for the year ended December 31, 2011 are KRW 627 million.

2) Long-term investments are invested as investment in Future Carbon Fund organized by ADB for the purpose of supporting green growth of developing countries. The fair values of long-term investments could not be reliably estimated due to the lack of financial information of the said companies. Accordingly, these equity securities were presented at their acquisition cost.

## LOANS

Loans other than government as of December 31, 2011 and 2010 are as follows:

(Unit : Million)

	ANNUAL INTEREST RATE (%)	2011		2010
		KRW	USD	KRW
<b>Current Assets:</b>				
Loans in Local Currency:				
Development project loans	1.0 - 3.5	32,239	28.0	36,465
Equipment loans	1.0 - 4.2	21,932	19.0	21,984
		<b>54,171</b>	<b>47.0</b>	<b>58,449</b>
<b>Non-Current Assets:</b>				
Loans in Local Currency:				
Development project loans	0 - 3.5	1,891,743	1,640.3	1,613,951
Equipment loans	0 - 4.2	727,960	831.2	625,494
Two-Step loans	3.5	3,827	3.3	3,827
Loans in Foreign Currency:				
Development project loans	0 - 2.5	41,505	36.0	5,429
Equipment loans	1.7	57,665	50.0	56,945
		<b>2,722,700</b>	<b>2,360.8</b>	<b>2,305,646</b>
<b>Total</b>		<b>2,776,871</b>	<b>2,407.8</b>	<b>2,364,095</b>

## ACCOUNTING CHANGES

The Fund applies the provision for subsidized loan and guarantee as of January 1, 2011, in accordance with the standard for subsidized loan and guarantee under Article 14. This change in accounting policy is for the fair presentation of the economic substance and appropriate matching of income and expense. Financial statements as of and for the year ended December 31, 2010, have not been restated, and the cumulative effect of the change of (53,846) million is shown as a one-time charge to retained earnings.

Effects on the statements of financial statement due to the above changes in 2011, are as follows:

	Provision for subsidized loan and guarantee		Results of operations		Reserves and surpluses	
	KRW	USD	KRW	USD	KRW	USD
2011	188,973	163.9	(135,127)	(117.2)	188,973	163.9





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