

Exploring Co-financing Opportunities with Economic Development Cooperation Fund (EDCF)

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WB-EDCF Co-financing focal points at KEXIM



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Economic Development Cooperation Fund (EDCF)

- ✓ **Objective:** to promote the economic development of partner countries and build mutual cooperation
- ✓ **A lending arm of Korean ODA program (USD 4.7B in FY22 (commitment)), established in 1987**
- ✓ **Gov. of Korea has contributed total 8,368 bill. Won ('87~'21, approx. 6.25 bill. USD) to EDCF**

EDCF at a Glance

(Cumulative total as of the end of 2022)

Commitments	USD 22,964 million
Projects	503 projects
Recipients	58 countries

Priority Sectors

Renewable Energy



ICT



Low Carbon Transport



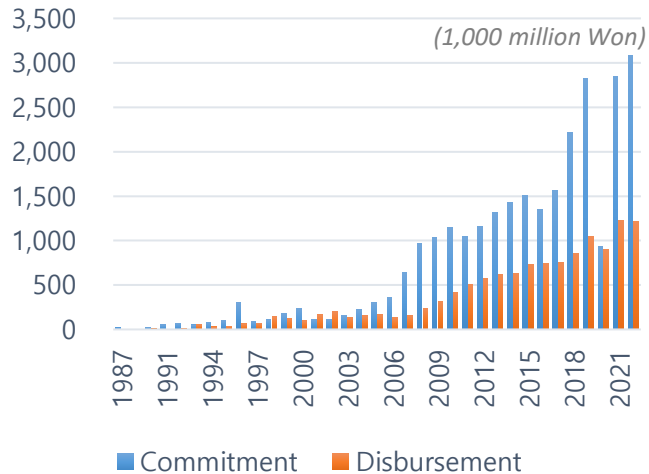
And others

- may be subject to the preferential interest rates

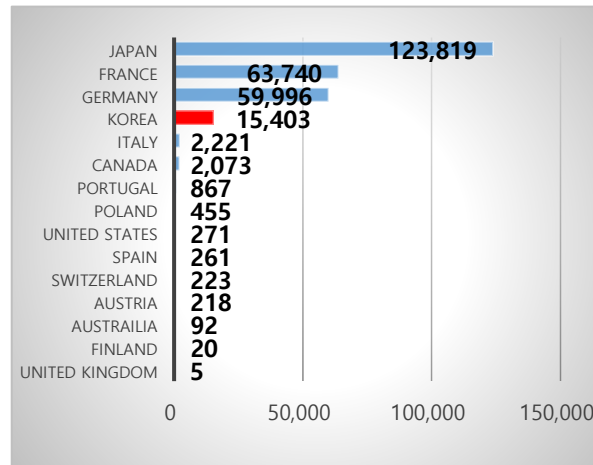
Green EDCF

- Integrating climate change response elements into EDCF projects
- Targets (mid-term goals):

	2020	2025
Support portion	22%	40%
Green EDCF Index	1.53	2.50



Annual Commitment & Disbursement



4th largest bilateral loan donor¹⁾
(among 30 OECD DAC members, '12~'21)

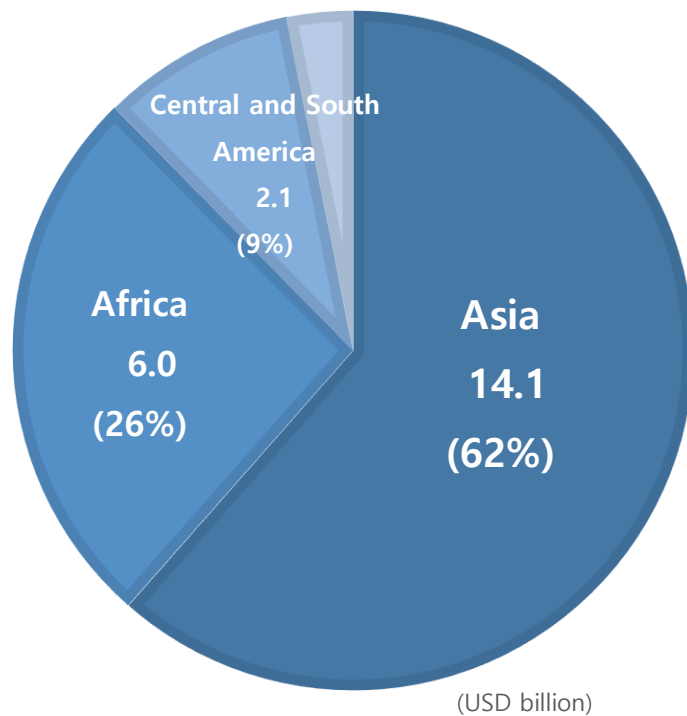
Note: 1. Source – OECD.Stats, Aid (ODA) commitments to countries and regions [DAC3a])

Analysis of the EDCF Portfolio

(Cumulative total as of the end of 2022)

Commitment by Region

- + Concentrated in **Asia**,
Diversified into **Africa** and **Central and South America**

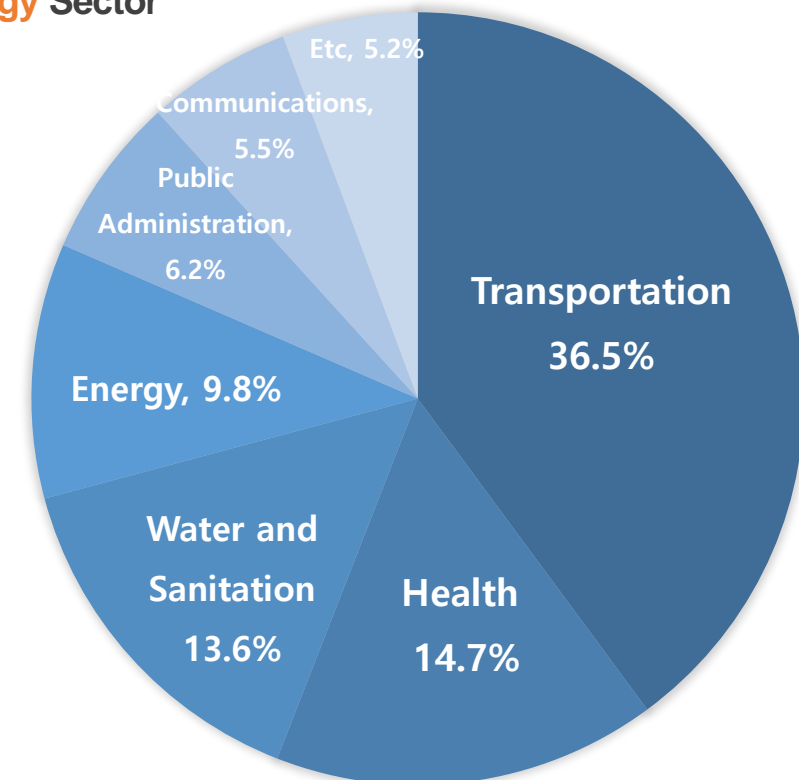


<Top 10 key partner countries>

Country	Amount (million USD)
Vietnam	2,594
Cambodia	1,766
Bangladesh	1,710
Philippines	1,508
Indonesia	1,087
Egypt	1,086
Tanzania	974
Uzbekistan	933
Sri Lanka	930
Myanmar	898

Commitment by Sector

- + Focus on **Transport, Health, Water and Sanitation, Energy Sector**



Co-financing Overview

(Cumulative total as of the end of 2021)

World Bank (USD 444 mil.)

- Solomon Island Tina River Hydropower Development Project (2017, USD 31.6 mil) and other 9 projects

Asian Development Bank (USD 1,653 mil.)

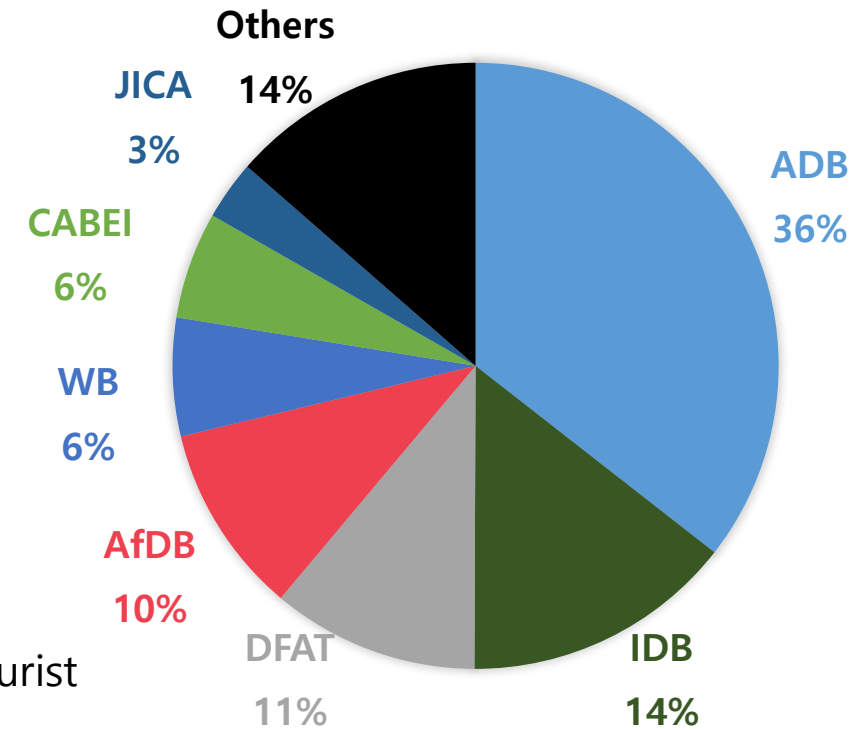
- Indonesia Sustainable and Inclusive Energy Program Subprogram 3 (2022, USD 60 mil.) and other 27 projects

Inter-American Development Bank (USD 795.7 mil.)

- Dominican Republic Universal Sanitation Program in Coastal and Tourist Localities (2022, USD 60 mil.) and other 19 projects

African Development Bank (USD 454.8 mil.)

- Madagascar Construction of Substations for Tana Nord II – Ambohibary Project (2021, USD 55.9 mil.) and other 11 projects



Governing Structure: MOEF and KEXIM

Ministry of Economy and Finance (MOEF)



- responsible for the **overall management of EDCF**
- establishes **EDCF policies and approves EDCF ODA loans**
- **supervises** the entrusted businesses

entrusts



The Export-Import Bank of Korea (KEXIM)



- entrusted with the operation and management of EDCF

EDCF organization chart within KEXIM

EDCF
Coordi-
nation
Group

EDCF Coordination Dept.

EDCF Operation Cooperation Dept.

MDB Operation Dept. (LAC)

EDCF
Ope-
ration
Group

EDCF Operation Dept. 1 (EAP)

EDCF Operation Dept. 2 (ECA, SAR)

EDCF Operation Dept. 3 (MNA, SSA)

EDCF Evaluation & Operation Review Dept.

WB focal point:

Trust Fund Coordination & Advisory Team, MDB Operation Dept.

→ joint/parallel Co-financing or PforR

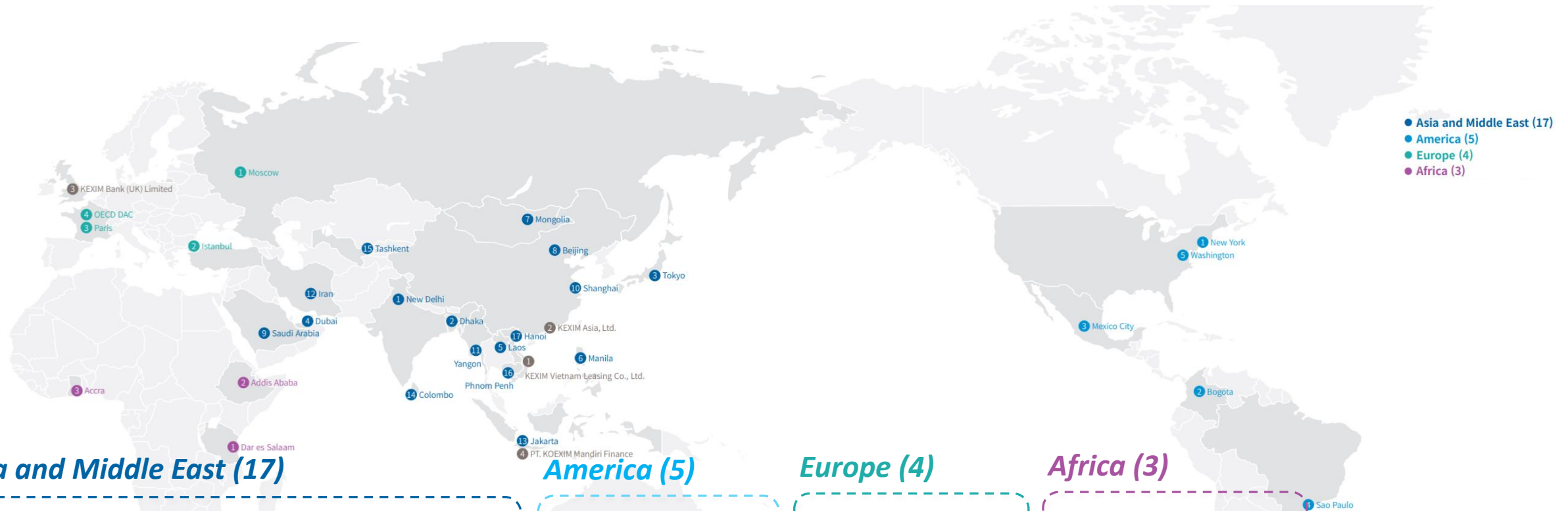
Bilateral Projects, etc.:

MDB Operation Dept.

EDCF Operation Dept. 1~3

→ Complementary Financing

International Network: EDCF/KEXIM rep. Offices



Asia and Middle East (17)

1. New Delhi, 2. Dhaka, 3. Tokyo, 4. Dubai, 5. Laos, 6. Manila, 7. Mongolia, 8. Beijing, 9. Saudi Arabia, 10. Shanghai, 11. Yangon, 12. Iran, 13. Jakarta, 14. Colombo, 15. Tashkent

America (5)

1. New York
2. Bogota
3. Mexico City
4. Sao Paulo
5. Washington

Europe (4)

1. Moscow
2. Istanbul
3. Paris
4. OECD DAC

Africa (3)

1. Dar es Salaam
2. Addis Ababa
3. Accra



Highly Concessional Lending Instrument: Attractive to Recipient Countries

- EDCF's high concessionality, based on the replenishment of the Korean Government, can improve **the economic and financial feasibility of WB projects**.
- It can also enhance **the overall debt sustainability** of the recipient countries.

(Oct.2023)

Comparison of terms¹⁾

IDA/IBRD: 1.27~5.97% (p.a.)

EDCF: 0.05~1.31% (p.a.)

Difference: **1.22~4.66%p (p.a.)**



Filling the Funding Gaps

- EDCF's funding resources can fill the funding gap for key projects of recipient countries **when there are constraints on IDA/IBRD financing**.



Sharing the Knowledge

- EDCF, **along with the Korea Trust Funds** (i.e. KWPF and KGGTF), can share the knowledge accumulated from **its unique development experience**. (From the ODA recipient to donor country; IDA graduation in FY73)

Note: 1. Detailed information on the EDCF's terms and conditions and its comparison with WB's terms is provided in the appendix of this presentation.

Co-financing Facility: MOU and CFA

April 2015

1st Memorandum of Understanding (MOU)
between WB and MOEF



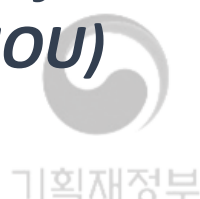
August 2016

Co-financing Framework Agreement (CFA)
between WB and KEXIM



October 2019

2nd Memorandum of Understanding (MOU)
between WB and MOEF



October 2022

New MOU-CFA
Between WB and MOEF-KEXIM



- MOEF earmarked an amount equivalent to **US\$ 300 million** for the period of **four years (2015-2019)** for parallel and joint co-financing of WB financing operations through EDCF.
- **8 WB-EDCF co-financing projects** in total (7 projects prior to the signing of MOU in 2015)
- Pursuant to the 2015 MOU, WB and KEXIM signed a Co-financing Framework Agreement, **outlining the terms** under which co-financing would take place.
- 2015 MOU was renewed with the commitment by MOEF to provide **US\$ 300 million over three years (2019-2022)**.
- New MOU with an earmarked amount of **US\$ 300 million** for the period of **three years (2022-2025)** was signed in 2022 (along with the updated version of CFA).

Eligible Modalities

Co-financing

Joint Co-financing

- Contracts and/or expenditures are **jointly financed** by WB and EDCF in agreed proportion.
- WB **provides services** to EDCF's portion.
- Funds may be **pooled**.

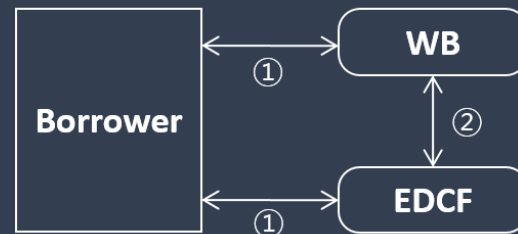
Parallel Co-financing

- The parties finance **different contracts and/or expenditures**.
- WB **provides services** related to those contracts and/or expenditures financed.

IPFs, PforRs

Legal documents

1. WB and EDCF execute separate agreements with the Recipient (Borrower).
2. An agreement setting forth respective roles and responsibilities will be signed between WB and EDCF



Complementary Financing

- The parties finance **activities that support related development objectives**.
- The parties promote **effective cooperation and coordination** at the country, program and operation level.
- Each party is fully responsible for the preparation and supervision of the operation it finances, and under which the **WB does not provide services**.

DPFs

- Detailed Terms and Conditions for WB Co-financing (excluding PforR) – equivalent to WB IPF

- Interest rate/Maturity**

Classification	Basic		Preferential ¹⁾	
	Interest Rate [p.a.]	Maturity (Grace Per.)	Interest Rate [p.a.]	Maturity (Grace Per.)
LMIC	1.10%	30 years (7 years)	0.90%	30 years (10 years)
	0.90%	25 years (6 years)	0.70%	25 years (7 years)
	0.70%	20 years (5 years)	0.50%	20 years (6 years)
	0.50%	15 years (4 years)	0.30%	15 years (5 years)

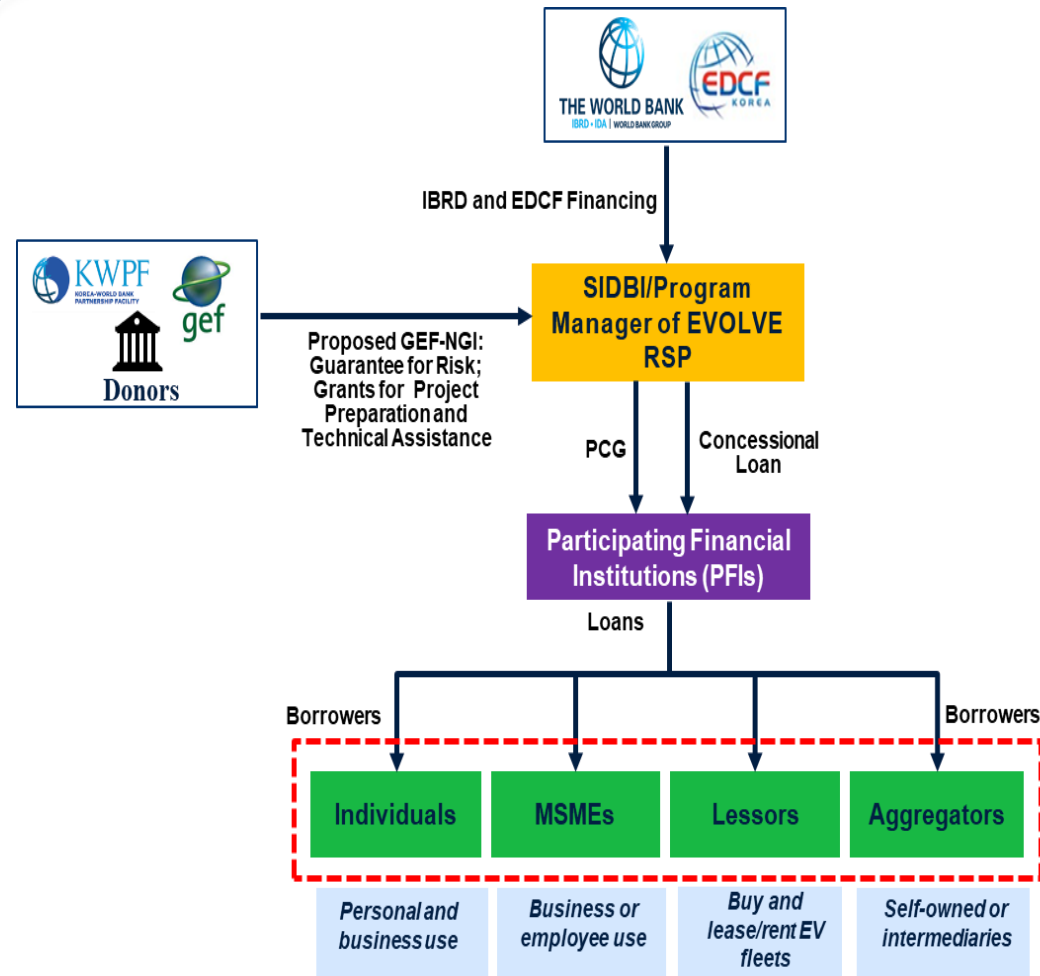
1) Preferential interest rate may be applied to the Projects which fall under the EDCF Priority Sectors (i.e. Climate adaptation and mitigation, ICT, Renewable Energy, etc.) on a project-by-project basis.

- Service Charge: 0.1%** of the amount of each disbursement
- Repayment: (principal) equal payment twice a year**
(interest) every 6 months
- Procurement: WB's procurement guidelines**

※ Sovereign guarantee is needed if the borrower is corporate/state government.

EDCF – Project Example (Co-financing with WB)

- India, Electric Vehicle Operations and Lending for a Vibrant Ecosystem (EVOLVE)



EDCF Project (USD 100 million)



Object

- + Unlock and Improve **Access to Commercial Finance for 2/3 EV wheeler consumers** to support the growth of the EV ecosystem



Work Scope

- + 1) **Partial Credit Guarantee (125 mil. USD)**
: provide (partial) financial protection to local financial institutions against credit losses related to EV loans
- + 2) **Low-Cost Lending (125 mil. USD)**
: offer concessional funds to local financial institutions to expand EV loans to end-consumers



Details

- + Aim to leverage funds from EDCF and WB to expand EV loans up to \$1.9 billion, facilitating **over 1.5 million additional purchases of EV 2/3 wheelers**



KOREA GREEN INNOVATION DAYS

KGID CAIRO

Q & A

The background of the slide is a collage of various images related to energy and infrastructure. These include a red bus, a group of people, wind turbines in a field, a bridge, and a close-up of a mechanical component. The collage is overlaid with a geometric pattern of red, blue, and white triangles.

Appendix: EDCF Terms and Conditions (1/3)

- Comparison between IDA/IBRD and EDCF (all-in cost basis)

	Interest Rate		Fees and/or Charges	
IBRD	<p><u>Floating rate</u></p> <p>IBRD: SOFR + <u>Margin²⁾</u> 1.35~1.75% ↓ equivalent swap rate¹⁾: 3.88~4.20%</p> <p>→</p> <p><u>Fixed rate</u></p> <p>IBRD: 5.23~5.95% (p.a.)</p>	+	<p><u>Flat rate</u></p> <p>IBRD Front-End Fee : 0.25% (flat) ÷ average maturity (16.25~27.75 yrs)</p> <p>→</p> <p><u>Per annum rate</u></p> <p>IBRD Front-End Fee : 0.0154~0.0090% (p.a.)</p>	
IDA	Not applicable		<p>only in p.a. rate</p> <p>IDA Service rate : 1.27% (p.a.)</p>	
EDCF	<p><u>Floating rate</u></p> <p>only in fixed rate</p> <p>→</p> <p><u>Fixed rate</u></p> <p>EDCF: 0.05~1.31% (p.a.)</p>	+	<p><u>Flat rate</u></p> <p>EDCF Service Charge : 0.1% (flat) ÷ average maturity (16.25~27.75 yrs)</p> <p>→</p> <p><u>Per annum rate</u></p> <p>EDCF Service Charge : 0.0036~0.0062% (p.a.)</p>	

IDA/IBRD: 1.27~5.967% (p.a.)

EDCF: 0.054~1.306% (p.a.)

Difference: 1.216~4.661%p (p.a.)

Note: 1. SOFR swap rates for relevant maturities were calculated as of October 6, 2022.

2. IBRD Margin varies in accordance with IBRD Pricing Group (IDA-only, IBRD A~C) of recipient countries, and the EDCF's terms are also subject to the income group of the clients.

3. For the all-in cost calculation, the underlying assumption was a one-time disbursement before the commitment fee starts accruing (i.e., the WB's commitment fee charged is effectively zero).

Appendix: EDCF Terms and Conditions (2/3)

- Indicative Terms applied to EDCF Loan

- EDCF terms and conditions may vary in accordance with **the recipient's income classification set forth by UN and OECD.**
- Tied Aid vs. Untied Aid**
 - Tied Aid:** Projects where its source of procurement of civil works or services **is restricted to the Republic of Korea**
 - Untied Aid:** Projects where its source of procurement **is not restricted** (complies with WB guidelines)
- Preferential interest rate** may be applied to the Projects which falls under **the EDCF Priority Sectors (i.e. Climate adaptation and mitigation, ICT, Renewable Energy, etc.)** on a project-by-project basis.

Indicative Terms applied to EDCF Loan (non PBL – equivalent to WB IPF)								
Classification	Tied Aid				Untied Aid			
	Basic		Preferential		Basic		Preferential	
	Interest Rate [p.a.]	Maturity (Grace Per.)	Interest Rate [p.a.]	Maturity (Grace Per.)	Interest Rate [p.a.]	Maturity (Grace Per.)	Interest Rate [p.a.]	Maturity (Grace Per.)
LDC (UN)	0.05%	40 years (15 years)	0.01%	40 years (15 years)	0.05%	40 years (15 years)	0.01%	40 years (15 years)
LIC (OECD)	0.10%	35 years (10 years)	0.05%	40 years (10 years)	0.30~0.60%	17~30 years (4~7 years)	0.20~0.50%	15~30 years (5~10 years)
LMIC (OECD)					0.50~1.10%	15~30 years (4~7 years)	0.30~0.90%	15~30 years (5~10 years)
UMIC (OECD)					0.70~1.30%	12~25 years (4~7 years)	0.50~1.10%	12~25 years (5~10 years)

Appendix: EDCF Terms and Conditions (3/3)

- Different terms may be applied to the **EDCF Program Loan**, which is equivalent to WB Development Policy Financing (DPF) or PforR.

Indicative Terms applied to EDCF Program Loan (PBL – equivalent to WB DPF or PforR)			
Classification	Interest Rate [p.a.]		Maturity (Grace Period)
	Basic	Preferential	
LDC (UN) and LIC (OECD)	1.00%	0.50%	25 years (7 years)
LMC (OECD)	1.50%	1.00%	20 years (5 years)
UMIC (OECD)	2.50%	2.00%	15 years (3 years)

The classification follows the GNI per capita as published by the World Bank (and its adoption by OECD) and the Least Developed Countries (LDCs) as defined by the United Nation (UN).

- LDC : Least Development Countries
- LIC : Low Income Countries (per capita GNI <= \$1,045 in 2020)
- LMIC : Lower Middle Income Countries (per capita GNI \$1,046 ~ \$4,095 in 2020)
- UMIC : Upper Middle Income Countries (per capita GNI \$4,096 ~ \$12,695 in 2020)