

**KOREA-CABEI
PARTNERSHIP
SINGLE-DONOR
TRUST FUND**
Annual Report 2020



TABLE OF CONTENTS

Executive Summary	03
Introduction	04
Foreword	05
Abbreviations	07
Section 1. Background	08
Section 2. Milestones	13
Section 3. KTF at a Glance	15
Section 4. KTF Operations	18
Section 5. Way Forward	27
Section 6. Financial Statements	29



EXECUTIVE SUMMARY

Upon incorporation of the Republic of Korea (ROK) as a non-regional member of the Central American Bank for Economic Integration (CABEI) in 2019, the KOREA-CABEI Partnership Single Donor Trust Fund (KTF) was established in August 2020 to support CABEI in advancing its mission to promote economic integration and balanced economic and social development of the Central American region.

This is the first Annual Report for the KTF reported in accordance with CABEI's fiscal year commencing on the first day of January and ending on the last day of December. This report presents the Fund's background, progress, achievements, and plans since its establishment through the first fiscal year of operation.

Having established itself as a leading donor country a span of a generation from the economic devastation from the Korean War, the ROK Government fully recognizes the value of international aid and development cooperation in reducing poverty, improving well-being and quality of life, achieving gender equality, promoting sustainable development, environmental preservation, and economic linkages with partner countries. It is based on this belief that the ROK pledged a commitment of \$50 million USD to the KTF for the next five years.

The KTF provides CABEI's beneficiary countries – Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Belize, Dominican Republic, Mexico, Cuba, Colombia, and Argentina – with non-reimbursable Technical Cooperation (TC) to formulate policies and programs and implement projects that aim to address their current challenges and lay the groundwork for their strategic national transformation.

To date, the Government of ROK has approved seven TC projects for a total of \$4.7 million USD. The approvals have been made across various sectors from health, finance, environment, trade and investment, transportation to energy. The KTF continues to build a strong pipeline for the year 2021.

Moving forward, the KTF will support a wide range of initiatives aligned with the strategies and priorities set by CABEI and beneficiary countries, with a focus on identifying and developing projects with leading South Korean public and private sector organizations, sharing knowledge and best practices across various inter-related themes.

INTRODUCTION

The incorporation of the Republic of Korea (ROK) into Central American Bank for Economic Integration (CABEI) has been a long journey. Recognizing the value of CABEI and its strategic role and presence in Central America, the ROK joined CABEI seeking opportunities to increase their aid effectiveness in the region and further strengthen cooperation with the Bank's member countries. The Bank has since been paving the road for innovative financing mechanisms, projects, and programs with Korean content localized for the region.

The ROK joined CABEI in 2019 as the 15th member country. The capital subscription upon incorporation amounted to \$630 million USD, which represents a stake of 7.6%. It is the second-highest share among non-regional members. Additionally, the ROK contributed \$50 million USD in August of 2020 to CABEI to support non-reimbursable Technical Cooperation (TC) operations through the Korea-CABEI Partnership Single Donor Trust Fund (KTF).

The Fund will serve as an instrumental channel to support CABEI member countries address development challenges across various sectors while promoting innovative solutions for sustainable and inclusive development of beneficiary countries over five years.

The membership of ROK in CABEI, with pivotal resources from the KTF, has been transformative for the Bank. Not only did ROK's incorporation reinforce the Bank's credit rating, it also brought extensive experience in supporting innovative, technology focused initiatives through transfer of financial resources and knowledge, leading to new opportunities for strengthening the commercial relations between the ROK and the Central American region.

The KTF is an embodiment of Korea's strong leadership in international development cooperation. The KTF is designed to maximize the impact of these investments through design and execution of pre-investment studies that include best international practices and cutting-edge solutions.

The ROK will leverage the Fund to promote the national strategic vision while ensuring that it creates synergies with existing initiatives and priorities of the region. In particular, the KTF will harness Korea's experience, leverage their policy directives related to Digital and Green New Deals, to best contribute to the preparation of Central America's post-pandemic strategy.

FOREWORD

For the last sixty (60) years, CABEI has played a pivotal role in driving sustainable development and economic integration of the Central American region. Even at a time of global uncertainties, the Bank has continued to be a steadfast partner to the member countries in coping with the economic and social disruptions by supporting their pandemic response and creating opportunities to build back better. In response, Central America is now expected to have one of the strongest economic rebounds in Latin America.

Along this line, the establishment of the Korea CABEI Partnership Single Donor Trust Fund (KTF) plays a crucial role in this effort. The KTF, which is the first of its kind at the Bank, will not only enhance the scale and scope of the Bank's operations in the region but also accelerate efforts to strengthen the economic, social, and institutional factors that enhances the region's competitiveness.

“The KTF, which is the first of its kind at the Bank, will not only enhance the scale and scope of the Bank's operations in the region but also accelerate efforts to strengthen the economic, social, and institutional factors that enhances the region's competitiveness.”

Hernan Danery Alvarado

Korea Trust Fund Secretariat

Central American Bank for Economic Integration



In its inaugural year, the KTF has funded innovative economic, financial, and technical studies for the design and execution of technical cooperation projects aimed at addressing challenges faced by the region, resulting in successful engagements and collaboration with Korean institutions. The role of the Fund has especially been noteworthy given the heightened urgency resulting from two major hurricanes and the COVID-19 pandemic.

With its ability to support analytical and operational development initiatives, the Fund is well positioned to be a catalyst for future collaboration in feasibility studies, pilot programs, technology transfer, and capacity building, amongst others. The KTF has supported activities improve access to opportunities in the areas of digital infrastructure, sustainable development and climate change, which are highly relevant to the vulnerable countries in this region.

On behalf of CABEI and the KTF team, I would like to express my sincere gratitude to the Republic of Korea for its unwavering commitment and partnership during this challenging year. In the coming year, we look forward to building on this partnership to generate and place the region on path to economic recovery and transformation.

FOREWORD

The year 2020 has been a journey of uncertainties. Central America faces unprecedented challenges due to the COVID-19 pandemic. In fact, the extreme weather events of historic intensity that swept across the region have further exacerbated the damages already inflicted by the pandemic. In this context, the launch of the Korea-CABEI Partnership Single-Donor Trust Fund (KTF) could not have been more timely. The KTF stands fully committed to support the recovery and reconstruction of CABEI member countries and provide pre-emptive assistance to strengthen resilience and adaptive capacity against climate change.

The proactive operation undertaken through the Fund this year is a testament to such commitment. Despite the short timeframe of only five months, significant progress has been made. It is firmly set to

generate knowledge and analysis, pilot and scale innovations, and build strong partnerships in member countries across various sectors in the coming year.

The changing external environment mandates a strategic assessment of the role to be played by the Fund. The Government of the Republic of Korea (ROK) will seek to align the Fund with the Korean Digital and Green New Deal unveiled by the current administration to ensure that the KTF is at the forefront of recovery from the pandemic crisis while in tandem laying a path for regional digital transformation.

In every crisis lies an opportunity. The ROK will seize this opportunity to position the Fund as a strong pillar of CABEI resources, reflecting the highest priorities of CABEI while delivering transformative solutions to beneficiary countries.

Furthermore, the ROK will ensure that the KTF serves as a vehicle to achieve the objectives for which it joined CABEI, including increasing the mobilization of investment and cooperation resources, as well as trade flows between countries in the two regions. Close cooperation between ROK and CABEI is essential to realize this vision.

As countries in the region grapple with the pandemic and deep recessions, the KTF remains committed to supporting CABEI in providing the support and assistance they need to achieve a sustainable and inclusive recovery. The KTF will continue moving forward to work in alignment with the visions of ROK and CABEI, pursue sustainable, stable, and valuable investment opportunities, and commit to strengthening the positive social and environmental impact of our operations in all aspects.

“In every crisis lies an opportunity. The ROK will seize this opportunity to position the Fund as a strong pillar of CABEI resources, reflecting the highest priorities of CABEI while delivering transformative solutions to beneficiary countries.”

Jung-in Youn

Director
International Financial Institutions Division

Ministry of Economy and Finance
Republic of Korea



ABBREVIATIONS

ROK	Republic of Korea
CABEI	Central American Bank for Economic Integration
KTF	KOREA-CABEI Partnership Single Donor Trust Fund
TC	Technical Cooperation
MOEF	Ministry of Economy and Finance
LIA	Local Implementation Agency
KorBCIE	Private Capital Fund for Infrastructure Development in Central America
KCAFTA	Korea and Central America Free Trade Agreement



SECTION 1. BACKGROUND



OVERVIEW

Upon incorporation of the Republic of Korea (ROK) as a non-regional member of the Central American Bank for Economic Integration (CABEI) in 2019, the KOREA-CABEI Partnership Single Donor Trust Fund (KTF) was established in August 2020 to support CABEI achieve its mission. This is the first Annual Report for the KTF and presents the Fund's background, progress, achievements, and plans from its first year of operation, spanning five months.

OBJECTIVE

The overall objective of the KTF is to support member countries of CABEI in achieving inclusive and sustainable development and thereby contribute to the Bank's mission to promote economic integration and balanced economic and social development of the Central American region. The beneficiary countries of the KTF include Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Belize, Dominican Republic, Mexico, Cuba, Colombia and Argentina.

The KTF also aims to reinforce the basic principles of the ROK in international development cooperation: (i) Reduce poverty in developing countries; (ii) Improve the human rights of women and children, and gender equality; (iii) Realize sustainable development and humanitarianism; (iv) Promote cooperative economic relations with developing partners; and (v) Pursue peace and prosperity in the international community.

SCOPE & ACTIVITIES

The KTF finances non-reimbursable Technical Cooperation (TC) activities to formulate policies and programs and implement projects that enable beneficiary countries to address current challenges and lay the groundwork for their strategic national transformation.

The KTF supports activities in the pre-investment stage. This includes:

- (i) Preparation of projects through pre-feasibility and/or feasibility studies
- (ii) Policy reform and institutional capacity building
- (iii) Studies, research, and analytical work
- (iv) Dissemination, networking, and cross-learning
- (v) Innovative approaches that promote ROK innovation and technologies.

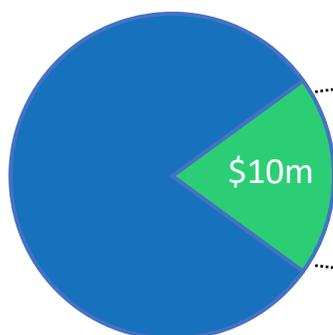
To provide flexibility in responding to transformational and cross-cutting projects, the KTF supports a wide range of initiatives aligned with the strategies and priorities set by CABEI, the Ministry of Economy & Finance (MOEF) of South Korea, and beneficiary countries. In particular, the KTF will be used to identify and prepare projects, share knowledge, and build capacities across various inter-related themes that are in line with the Bank's 2020-2024 Strategy Framework.

CONTRIBUTIONS & COMMITMENTS

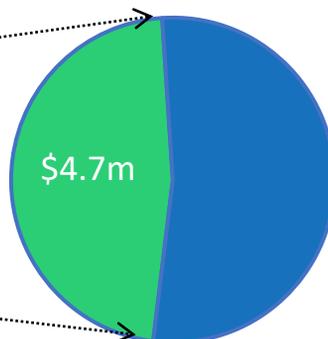
The KTF was established with a commitment of \$50 million USD from MOEF for a disbursement over 5 years. The initial contribution of \$10 million USD, approximately, was received in August 2020, of which \$4.7 million USD have been approved for disbursement to date.

Details of the KTF's financial position as of end of 2020 are presented in Section 6.

ROK COMMITMENT RECEIVED BY
KTF AS OF DEC. 2020



APPROVED TC BUDGET FOR
KTF AS OF DEC. 2020



KEY PRIORITY SECTORS

Beneficiary countries and the Bank can request TCs that fall within the following sectors:



ICT



Health



Transport



Energy



Environment



Finance



Education



Agriculture



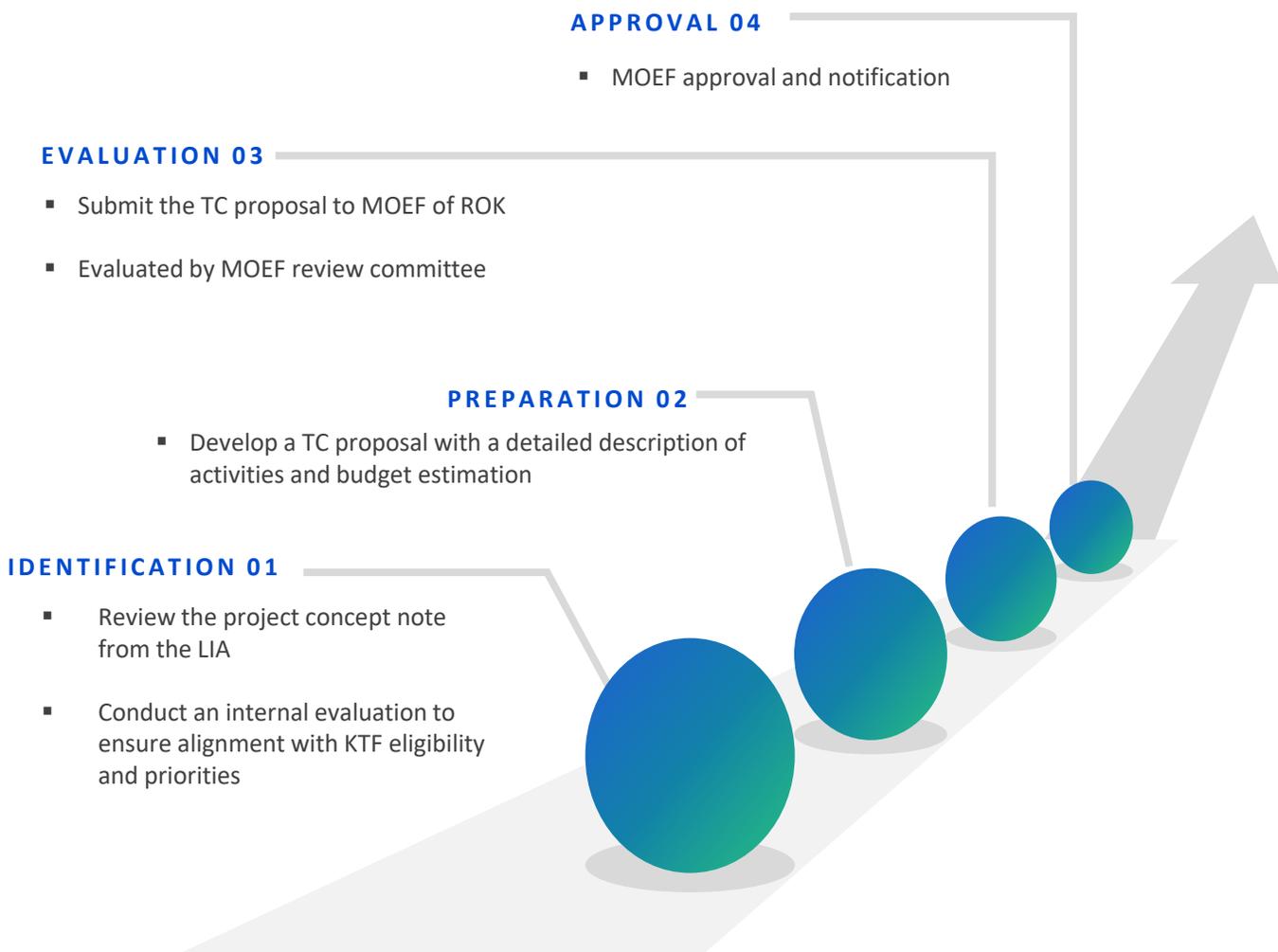
KTF ELIGIBILITY

All TC initiatives meet the following criteria to be eligible for funding from KTF.

1	RELEVANCE TO TRUST FUND OBJECTIVES	Proposed projects shall be conceptually, programmatically, and procedurally aligned with the objective of the KTF.
2	ELIGIBILITY OF TARGET COUNTRY	Beneficiary countries shall be a member country of CABI with political willingness to execute the proposed project.
3	SOCIAL AND ECONOMIC IMPACT	Proposed projects shall deliver immediate and long-term social and economic benefits to the beneficiary country.
4	KOREAN VISIBILITY	Proposed projects shall feature Korean innovation and technology solutions.
5	LIKELIHOOD OF ACHIEVING TC OBJECTIVES	Projects shall have a clear and direct linkage between the array of activities proposed and the intended outcomes and impacts.
6	ADEQUACY OF BUDGET AND COST BREAKDOWN	Proposed projects shall present in detail the breakdown of budget and costs appropriate for the local context.
7	LINKAGES TO FINANCING	Projects shall provide a methodology for the transition of TC proposals into future co-financing, loan operations.

APPLICATION & APPROVAL PROCESS

The KTF application and approval process is divided into 4 stages: Identification, Preparation, Evaluation, and Approval. Due diligence is of particular significance throughout the process. It ensures that the proposed TC is most appropriate for the local situation regarding the scope of the project, beneficiary counterpart, and political support to maximize the social and economic impact that the project is designed to deliver.





SECTION 2. MILESTONES



2020 MILESTONES

AUG

Launch of KTF

KTF established with a dedicated project implementation unit to oversee its administration

SEP

Country Demand

Beneficiary countries submit project concept notes for the first batch of submissions

OCT

Trust Fund Administrators

Two Trust Fund Administrators from MOEF joins the KTF Team

NOV

KTF Operations Manual

The operations manual for the KTF formalized

DEC

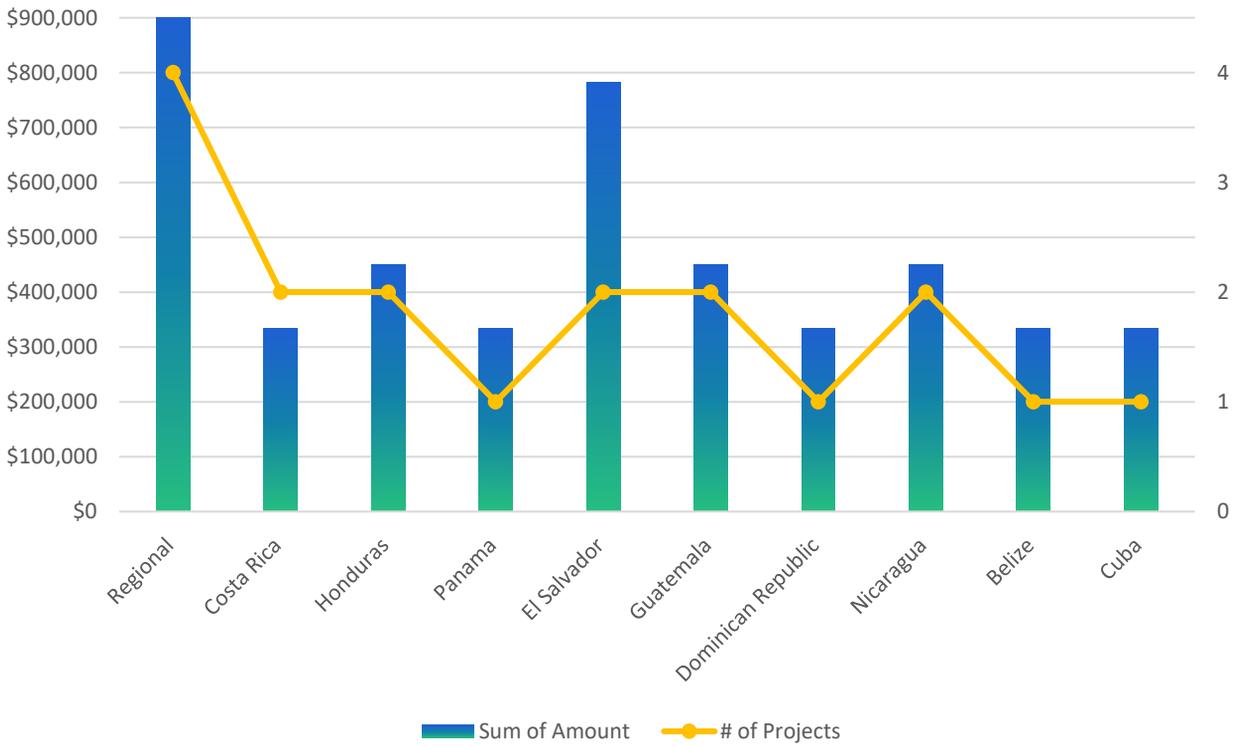
TC Approval

Seven projects approved for financing by the KTF

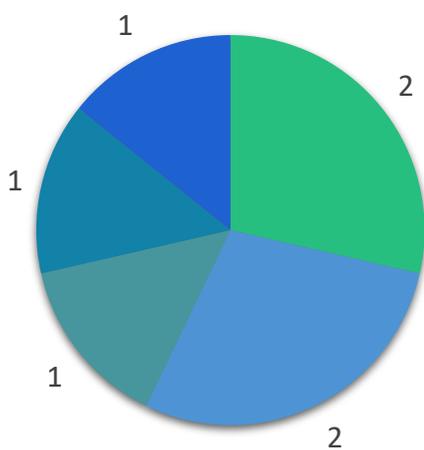


SECTION 3. KTF AT A GLANCE

2020 FUND ALLOCATION BY COUNTRY

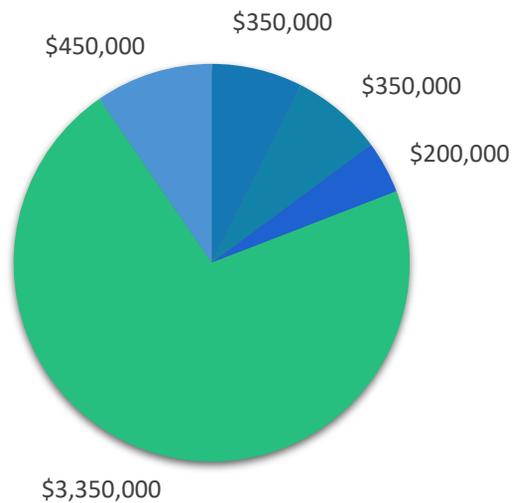


2020 APPROVED PROJECTS BY SECTOR



- Health
- Finance
- Climate Change
- Energy
- Transportation

2020 COMMITMENTS BY SECTOR



- Climate Change
- Energy
- Finance
- Health
- Transportation

2020 SUMMARY OF APPROVED PROJECTS

TC	Budget	Sector	Country
Republic of Korea's in-kind contribution to support CABEL member countries respond to COVID-19	\$3,000,000	Health	Costa Rica, Honduras, Panama, El Salvador, Guatemala, Dominican Republic, Nicaragua, Belize, Cuba
Establishment of a biotech manufacturing cluster to increase accessibility and affordability of healthcare and medical equipment	\$350,000	Health	Regional
Integration of Battery Energy Storage Systems in Central America	\$350,000	Energy	Regional
Support for the development of the Pacific Train in El Salvador	\$450,000	Transportation	El Salvador
Support for Natural Disaster Redevelopment Efforts Incorporating Climate Adaptation Measures	\$350,000	Climate Change	Honduras, Guatemala, Nicaragua
Diagnosis and Accompaniment for the Channeling of Resources from Institutional Investors from the ROK to Central America	\$100,000	Finance	Regional
Regional Investment Fund	\$100,000	Finance	Regional
Total	\$4,700,000		





SECTION 4. FUND OPERATION

Republic of Korea's In-Kind Contribution to Support CABEI Member Countries Respond to COVID-19

Sector: Health

Country: Costa Rica, Honduras, Panama, El Salvador, Guatemala, Dominican Republic, Nicaragua, Belize, Cuba

Commitment: \$3,000,000 USD

Current Stage*: Contract Awarded

In the wake of the COVID-19 pandemic, public health crisis has swept the world, sending shockwaves with devastating socio-economic consequences. Since the first confirmed case of COVID-19 in Central America, containment of the virus has been a top priority of the governments in the region.

As COVID-19 is a communicable disease, increasing the supply and access to personal protective equipment is essential for the prevention of its spread, especially for those on the frontlines. In this regard, one of the biggest challenges in the region has been the shortage of key health supplies. The proliferation of export restrictions amidst growing demand for personal protective equipment has significantly jeopardized efforts to fight the pandemic due to the region's high dependence on imports.

Against this backdrop, CABEI member countries have requested support from donor partner countries. In response, the ROK, through KTF, has approved to provide in-kind contributions to nine countries, namely, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Belize, the Dominican Republic and Cuba. Based on the assessment conducted by the Bank, all beneficiary member countries with the exception of El Salvador unanimously indicated face masks to be the healthcare

item most in need. El Salvador placed medical coveralls as the prioritized item.

This TC will provide high-quality KF94 masks and medical coveralls and shoe covers to healthcare workers in each beneficiary country based on its indicated preference in the demand assessment. The provision of these products will not only assist in slowing the spread of the pandemic in one of the most affected regions of the world, but also enhance the ROK's visibility not only in Central America and the Caribbean, but also globally.

Moreover, this TC will promote the ROK's high-quality healthcare products and reinforce its standing as a leader in the COVID-19 response as well as its commitment to support economic and social development of CABEI recipient member countries.

*Current stage as of the writing of this report in June 2021



Support for the Development of the Pacific Train

Sector: Transportation
Country: El Salvador
Commitment: \$450,000 USD
Current Stage: Contract Awarded

The capability to move goods safely, rapidly and cost-efficiently from where they are produced to where they are consumed is crucial for international trade and economic development. In this context, El Salvador has traditionally relied on road infrastructure to connect production hubs and its main logistics facilities. However, the country's road network continues to experience a host of challenges that adversely affect the movement of cargo, generating delays and operational cost overruns for road transport. These hindrances to the efficient transport of cargo indicate an urgent need for an alternative logistics option to road infrastructure, where cargo transport is currently concentrated.

In El Salvador, all railway service ceased in 2002. Reactivating these abandoned tracks can be extremely important for a country like El Salvador, which faces limitations in the physical space needed to expand road networks due to its small geographic size. However, the state of tracks is in disrepair, needing extensive rehabilitation, particularly the section from Acajutla Port to San Salvador. The reactivation of the Pacific Train network is a priority infrastructure project for the current administration, as is the full development of a Pacific Train linking to the city of La Hachadura, which is located at the border with Guatemala.

This TC promotes regional integration and connectivity, supporting El Salvador's strategic objective of increasing national competitiveness and integration, diversifying exports, producing economies of scale, and driving economic growth, as well as contributing to the Plan of the Alliance for Prosperity of the Northern Triangle.

Additionally, the TC will contribute to the country's climate change mitigation efforts by promoting clean transit options, proposing a sustainable mobility solution such as an electric rail-based transit line and building specific technical capacities among stakeholders.

The modernization of the transportation sector, through initiatives that incorporate regional connectivity with investments in railway transportation, will spark the innovation of collective, electric transportation that reduces fuel consumption and carbon emissions in favor of global environmental concerns.



Integration of Battery Energy Storage Systems (BESS) in Central America

Sector: Energy
Country: Regional
Commitment: \$350,000 USD
Current Stage: Procurement

Central America has long embraced efforts to increase the use of renewable energy sources in recognition of the need to meet the fast-growing energy demand while reducing its heavy dependency on fluctuating international oil prices.

However, support mechanisms are often weak, only partially implemented, or administered ineffectively, and they compete with existing subsidies and conventional energy sources. In order to ensure quality electric service, it is necessary to implement normative and regulatory mechanisms, as well as systems that optimize operating reserves, decrease variability, and improve voltage regulation and frequency control, both in local and regional interconnected grids and micro grids.

The Battery Energy Storage System (BESS) has great potential to transform power systems, providing the power grid with enhanced reliability, flexibility, and resilience which create conditions to address challenges and meet the growing energy demand. Batteries are an energy storage technology that offer a wide range of services and benefits with respect to utility-scale generation, transmission, distribution, and end-use consumption.

In Central America, countries are connected to the same, unpredictable power grid that continues to experience massive power outages that leave millions of people without electricity for hours. BESS can strengthen the grid resilience of SICA member countries with its uninterrupted power supply in the event of power outage or disruption.

In this TC, studies will be conducted to assess the potential market demand of BESS in the region and determine the conditions required to enable its deployment and integration through international best practices and knowledge sharing. Furthermore, pilot projects will be identified and dimensioned to realize the positive impact of BESS on regional, national interconnected grids, and create opportunities for the region to have better access to international suppliers.

This TC can reinforce the commitment of CABEL member countries to sustainable development and accelerate their transition to clean and reliable energy by increasing regional awareness of the benefits of BESS towards the advancement of the national power systems.



Establishment of a Biotech Manufacturing Cluster to Increase Accessibility and Affordability of Healthcare and Medical Equipment

Sector: Health
Country: Regional
Commitment: \$350,000 USD
Current Stage: Procurement

The COVID-19 pandemic exposed many flaws of global healthcare systems, especially in Central America where inequality is high and access to healthcare services is limited. As a result of the virus outbreaks experienced over the last few years, critical infrastructure for managing public health has increasingly become a priority.

Transforming production and scaling manufacturing by strengthening domestic technological capabilities is one of the four key goals set by the UN for the post-pandemic reformation to ensure the equitable distribution of critical health supplies. This would lead to decreased dependency on foreign imports of these goods, generate demand for high-skilled as well as low-skilled labor, and foster innovation and entrepreneurship.

South Korea's response to COVID-19 is recognized globally as a benchmark because it flattened the epidemic curve quickly during the initial months and seized commercial opportunities stemming from their previous investments in pandemic preparedness. One of South Korea's most important measures was the swift action of the government to collaborate with the private sector to ensure an abundant supply of test kits and diagnostic equipment, which enabled widespread testing and contact

tracing to control the outbreak and reduce fatalities.

To better equip Central America against future pandemics, this TC aims to support the establishment of a regional biotechnology manufacturing hub. In this regard, the TC comprises three main components.

First, a preliminary assessment will be undertaken in selected member countries to evaluate the attractiveness of the site regarding potential business opportunities and the capacity of the host country. Second, technical and business development advisory services will be provided to attract investments from South Korean manufacturers. Third, investment relations events and business matchmaking will be organized to create new opportunities for investors and key stakeholders.

The ultimate goal of this TC is to sustainably increase the accessibility and affordability of healthcare products and services by manufacturing critical products and equipment within the region, thereby reducing the region's dependency on foreign aid and technologies and facilitating greater supply of vaccines, medical equipment and health products to address the current and future pandemics.



Support for Natural Disaster Redevelopment Efforts Incorporating Climate Adaptation Measures

Sector: Climate Change

Country: Honduras, Guatemala, Nicaragua

Commitment: \$350,000 USD

Current Stage: Procurement

Central America is one of the most vulnerable regions in the world to climate change. In fact, Honduras, Guatemala and Nicaragua are among the most vulnerable in the world to extreme weather events due to their high exposure to climate-related hazards.

Of the natural disasters exacerbated by climate change, hurricanes and tropical storms have become the region's biggest climate-related hazards in terms of frequency and severity, generating extensive flooding that devastate crops, critical infrastructure such as roads and bridges, and the homes of millions, cumulatively costing billions of dollars in economic loss for affected countries.

In response to the devastating impacts of climate change, Presidents of the CABI member countries have requested the support of the Bank and ROK to address these challenges. This is ever more critical since these natural disasters are expected to occur more frequently and with greater intensity in the future, placing additional strain on the government capacity to address ongoing development challenges, including extreme inequality, low levels of education, acute environmental degradation, and rampant crime and violence.

This TC will reduce the economic and social cost of climate change by strengthening the capacity of the governments to redevelop their key infrastructure with appropriate climate adaptation measures, which would benefit the poorer segments of the population who live in flood-prone areas and are most vulnerable to the immediate impacts of flooding.

The project will contribute to the identification and development of investment projects to support the region better adapt to climate change, address long term implications of the collateral damage from natural disasters, and strengthen disaster resilience of the CABI member countries.

The prioritization of investment projects that address the challenges stemming from the impact of climate change and natural disasters will contribute to building a stronger foundation for sustainable growth in the region.

Diagnosis and Accompaniment for the Channeling of Resources from Institutional Investors from the ROK to Central America

Sector: Finance
Country: Regional
Commitment: \$100,000 USD
Current Stage: Contract Awarded

It is estimated the infrastructure investment gap across Latin America and the Caribbean vary between 5% and 6.2% of the regional GDP annually. Given the sheer volume of resources required, private capital is essential to complement public investment.

However, there are barriers that hinder private investments into the region. These are namely, lack of awareness and access to a pipeline of bankable projects, uncertain regulations and policies, high transaction costs due to foreign exchange and credit enhancement, as well as weak institutional capacity and governance, which produces inadequate risk-adjusted returns for projects.

To address these gaps, a new investment vehicle is necessary to create an enabling environment and help unlock much-needed additional capital flows to overcome the current financing gap in the Central American region.

Against this backdrop, this TC supports the establishment of a vehicle that effectively channels investment capital from South Korea, Asia's fourth largest economy and home to some of the largest institutional investors in the world. Various pension and sovereign wealth funds in South Korea have emphasized more socially responsible investments and are seeking to increase

geographic diversification of their assets. Hence, their first response has been to look overseas for undervalued opportunities and markets and these conditions position South Korea as an attractive financing partner for Central America.

This TC will promote capital inflow and investments into the region and is directly related to the mission of CABEL to promote balanced economic and social development of member countries.

Moreover, this TC is aligned with the KTF's framework to advance sustainable development, which seeks to intervene in strengthening economic, social and institutional factors that promote regional competitiveness.

Regional Investment Fund

Sector: Finance
Country: Regional
Commitment: \$100,000 USD
Current Stage: Contract Awarded

Central America has become an attractive destination for foreign direct investments (FDI) in the past two decades. However, the inflow of capital has been concentrated in only a few countries. There are three main obstacles that hinder broader and much-needed international investment across the region's financial markets: the lack of information about its markets, their functions, regulators and diverse operators; inadequacy of local market institutions in comparison to international standards; and a lack of understanding and trust in the region's financial systems and markets.

The regional investment fund will serve as an efficient conduit for foreign investment in the region's financial markets. To support regional financial integration, FDIs and access to capital markets in CABI member countries, this TC will enable the incorporation, registration and listing of a fixed income investment fund, the main purpose of which is to invest in locally issued securities in the region's local markets.

Promotion will be focused on mobilizing capital to the region's local securities markets from institutional investors that seek to invest in the region but require a proper vehicle to do so, with emphasis placed on attracting South Korean investors. Through this TC, high risk premiums that reflect the aforementioned regional

obstacles will be overcome to mobilize capital into the region. CABI's Asset & Liability Committee authorized an investment of up to \$150 million USD into this vehicle to provide much needed stability and reliability for institutional investors.

This TC will boost the strategy of CABI to enhance regional integration, promote and finance regionwide initiatives that aim to create a unified market in a number of sectors.



SECTION 5. WAY FORWARD



WAY FORWARD

Central America is at a crossroads due to the social, economic and political challenges that are pervasive in the region, which have been exacerbated by the COVID-19 pandemic. The KTF will be at the forefront of supporting CABI with technical assistance to respond to the needs of the region and reduce the funding gap for sustainable development.

First, the Fund will be leveraged strategically to create an enabling environment to attract much needed South Korean private sector investments to the region. The technical assistance resources provided by the KTF would lay the foundation for project development and investment opportunities which could be financed by the proposed \$1 billion USD KorBCIE Infrastructure Development Fund that aims to mobilize South Korean investments to the region.

Second, the Fund will seek to increase trade and investment flows between the ROK and Central America by transferring knowledge of business and trade opportunities in the region, capitalizing on KCAFTA.

Third, the Fund will collaborate with South Korean state-owned entities and public institutions that are globally recognized for best practices in diverse sectors. Discussions for partnerships have already commenced with the Korea Environmental Industry & Technology Institute (KEITI) regarding climate change initiatives, Korea Land & Housing Corporation (LH) for affordable housing projects, Korea National Railway

(KNR) to develop rail programs, amongst others, to share their rich experience and know-how through the KTF. In the coming years, the Fund will explore synergies to facilitate a holistic and comprehensive approach to bridging the financing needs in Central America with these South Korean organizations.

To raise visibility and promote the accomplishments of the Fund, while ensuring utmost transparency with respect to all activities undertaken by the Fund, the KTF will launch a website and actively communicate regarding its investments, project portfolio, publications, press releases, and live procurement processes.

The inception year of the KTF has surely been unpredictable and challenging due to the COVID-19 pandemic. Regardless, the Fund started off strong and made a positive impact. In 2021, the KTF will continue to support post-pandemic economic development efforts of member countries, leveraging Korea's experience and know how, with priorities on green recovery.

The KTF will also explore new areas of cooperation including public-private partnerships to strengthen linkages to co-financed operations, and ultimately contribute to positioning ROK as a strategic partner in sustainable development and economic growth in Central America.



SECTION 6. FINANCIAL STATEMENTS

Balance Sheets

As of December 31, 2020
 (Expressed in US dollars)

	2020
Assets	
Cash and due from banks	\$ 395,844
Deposit with banks	\$ 9,106,422
Interest-bearing deposits with banks	\$ 1,358
Prepaid expenses	\$ 47,843
Total Assets	\$ 9,551,467
Change in Net Assets for the Period	\$ 9,551,467
Total Net Assets	\$ 9,551,467

Statement of Activities

From the period of August 12 to December 31, 2020
 (Expressed in US dollars)

	2020
Income	
Contributions	\$ 8,503,573
Management Fee	\$ 1,500,631
Interest bearing deposits with banks	\$ 7,998
Total income	\$ 10,012,202
Expenses	
Administrative expenses	
<i>Temporary Contracts</i>	\$ 60,229
<i>Consulting Service</i>	\$ 400,000
<i>Bank Fee</i>	\$ 506
Total Expenses	\$ 460,735
Change in Net Assets for the Period	\$ 9,551,467

Statements of Cash Flows

From the period of August 12 to December 31, 2020
(Expressed in US dollars)

	2020
Cash flows from operating activities	
Net income	\$ 9,551,467
Increase in prepaid expenses	\$ (47,843)
Increase interest-bearing deposits with banks	\$ (1,358)
Net cash provided by operating activities	\$ 9,502,266
Cash and cash equivalents at beginning of year	\$ 0
Cash and cash equivalents at end of year	\$ 9,502,266
Increase in cash and cash equivalents	\$ 9,502,266

Resource Utilization

From the period of August 12 to December 31, 2020
(Expressed in US dollars)

	2020
Resource Contribution	\$ 10,004,204
Interest income - bank	\$ 7,998
Total amount available	\$ 10,012,202
Total expenses	\$ (460,735)
Unutilized balance	\$ 9,551,467
Approved projects	
1. In-kind contribution to support CABEI members respond to COVID-19	\$ 3,000,000
2. Support for the development of the Pacific Train in El Salvador	\$ 450,000
3. Integration of BESS in Central America	\$ 350,000
4. Establishment of a biotech manufacturing cluster	\$ 350,000
5. Support for natural disaster redevelopment efforts	\$ 350,000
6. Channeling of resources from institutional investors from ROK	\$ 100,000
7. Regional Investment Fund	\$ 100,000
Outstanding commitments	\$ (4,700,000)
Balance available for new commitments	\$ 4,851,467

CABEI



Central American
Bank for
Economic
Integration