

NEIGHBOURING COUNTRIES ECONOMIC DEVELOPMENT COOPERATION AGENCY (PUBLIC ORGANISATION)

No. 96/2025

20 June 2025

LOCAL GOVERNMENT

Issuer Rating: AAA
Outlook: Stable

Last Review Date: 04/07/24

Issuer Rating History:

Date	Rating	Outlook/Alert
17/07/17	AAA	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on Neighbouring Countries Economic Development Cooperation Agency (Public Organisation) (NEDA) at “AAA” with a “stable” outlook. The rating reflects NEDA’s status as a government-related entity (GRE), demonstrating “integral” linkage with the Thai government. The rating also reflects our view that NEDA plays a “critical” role in executing the government’s foreign public policy. Furthermore, the rating incorporates our expectation that the Thai government would provide extraordinary support to NEDA if needed.

KEY RATING CONSIDERATIONS

Integral linkage with the Thai government

We consider NEDA's linkage with the Thai government as “integral” due to the government's full ownership, strict oversight through board members from various government agencies, supervision by the Ministry of Finance (MOF), and a consistent track record of financial support.

NEDA plays a critical role in advancing the government’s policy of sustainable economic development cooperation with neighbouring and other nations. It offers government-to-government financial and technical assistance, which help build mutually beneficial trade and investment ties. This unique function makes it challenging for any private entity to replicate NEDA's efforts in this field. Additionally, NEDA actively collaborates with other countries to boost economic and social development, ensuring its work aligns with Thailand’s “20-Year National Strategy” (2018-2037) and the “13th National Economic and Social Development Plan” (2023-2027).

Major revenue from government subsidies

TRIS Rating expects NEDA will continue to receive regular financial support from the government to cover its operational needs. Government subsidies have historically been the main source of funding for the financial and technical assistance NEDA provides to neighbouring and other nations. The exact amount of annual government funding NEDA receives is determined by the progress of project disbursements and the availability of its own accumulated funds.

Government subsidies constituted more than 80% of NEDA's revenue during the fiscal years 2022-2024, with net interest income contributing the majority of the remaining portion. During this same period, NEDA's expenses were largely attributed to financial grants and technical assistance (38%), operating expenses (38%) and interest expenses (24%). Government subsidies accounted for only 73% of total revenue in the first half of fiscal year 2025, down slightly from fiscal year 2024. This decline resulted from a delay in approval for the specific project tied to the requested budget.

Near certain likelihood of extraordinary government support

We believe there's a near certainty of timely and sufficient government support for NEDA when needed. NEDA's debt is considered non-guaranteed public debt, according to the Public Debt Management Office (PDMO). Furthermore, NEDA must get government approval for any new debt under the public debt management plan.

All of NEDA's loans require Cabinet approval and are used to support the government's foreign policies, helping build relationships with neighboring

and other countries. NEDA's financial and technical assistance projects are directly funded by the government through annual budget allocations, in addition to its own accumulated funds. This close alignment highlights the potential for NEDA to receive additional support when necessary. We believe that if NEDA were to default on its debt, it would severely damage the government's reputation.

In addition, if a counterparty country defaults on its obligations, NEDA can seek compensation for principal and interest on most projects to maintain its financial liquidity, with the aid of prompt government support.

Fostering economic and social development with financial prudence

NEDA should maintain its core focus on infrastructure development projects that strengthen trade and investment between Thailand and its key strategic neighbors: Laos, Cambodia, and Myanmar. While challenges in any of these countries may cause temporary delays, they should not derail NEDA's long-term regional development efforts.

NEDA's future strategy aims to broaden cooperation with countries where engagement remains limited. It has already begun to expand its reach, offering technical assistance and grants to countries beyond the borders of Thailand, including Sri Lanka, Bhutan, and Timor-Leste. The strategy also places greater emphasis on environmental and social projects. This potentially involves moving beyond traditional transport infrastructure to include renewable energy and urban development initiatives.

NEDA has adopted a prudent approach by closely monitoring the sovereign credit risk and economic situation in Laos. Cambodia is likely to become a greater focus for NEDA's development assistance. In Myanmar, NEDA will only proceed with previously approved projects, ensuring any new initiatives align with the Thai government's policy for the country. However, ongoing political unrest in Myanmar has continued to impede project progress.

As of March 2025, NEDA's outstanding loans to neighboring countries amounted to THB10.9 billion, a slight decrease from THB11.1 billion in March 2024. These loans were primarily extended to the governments of Laos (90% of the total) and Cambodia (10%¹). Loan disbursements to Myanmar remain suspended due to the prevailing political instability. NEDA will continue supporting ongoing projects in Cambodia, but new projects will be delayed until diplomatic relations between Thailand and Cambodia improve.

NEDA maintains a conservative leverage policy, aiming for a debt-to-equity (D/E) ratio below 0.5 times. As of March 2025, NEDA's D/E ratio was a healthy 0.40 times. The organization's cash and short-term deposits stood at THB4.3 billion at the end of March 2025, an increase from THB2.7 billion at the end of March 2024. NEDA allocates this liquidity for its internal reserves, project reimbursements, debt obligations, and as a contingency for potential liquidity challenges in recipient countries, especially Laos.

RATING OUTLOOK

The "stable" rating outlook reflects our expectation that NEDA will maintain its status as a GRE, integrally linked to the Thai government. We also expect NEDA's role as a government agency serving the Thai government policies on economic development cooperation with neighbouring countries to continue, with ongoing financial support from the government.

RATING SENSITIVITIES

We could revise NEDA's rating and/or outlook downwards if our view on the linkage and/or importance of NEDA to the Thai government changes.

ORGANISATION OVERVIEW

NEDA was established on 17 May 2005 under Thailand's Royal Decree on the Establishment of Neighbouring Countries Economic Development Cooperation Agency, B.E. 2548, announced in the Royal Gazette, Volume 122, Part 39A, dated 16 May 2005.

NEDA is a public agency which, according to the Public Organization Act, B.E. 2542, has the organizational objective of providing public services that are not primarily profit-driven. NEDA's main objectives are to provide neighbouring and other countries with financial and technical assistance and to promote joint economic development with these countries.

The objectives, authority, and functions of NEDA are stipulated in Section 7 of the Royal Decree, as follows: 1) to provide neighbouring countries and other countries with financial and technical assistance; 2) to cooperate with neighbouring countries in economic development; 3) to conduct studies and provide recommendations on cooperation policies and

¹ NEDA's loan portfolio consists entirely of long-tenor unsecured term loans with fixed repayment schedules. The principal repayment periods range from 20-30 years. These loans are charged with fixed lending rates not exceeding 2.5% per annum.

measures; and 4) to coordinate with concerned organizations to integrate cooperation. Financial assistance typically takes the form of soft loans, interest rate subsidies, and grants to fund basic infrastructure projects.

Structurally, NEDA is under the supervision of the MOF. Functionally, it operates under the directives of the Neighbouring Countries Economic Development Cooperation Board (NEDB), whose members are representatives of the government agencies that are directly involved in joint economic cooperation with neighbouring and other countries. NEDA may engage only in transactions that are part of economic cooperation schemes agreed upon by the government. The NEDB oversees the implementation of the cooperative efforts.

NEDA relies primarily on government subsidies to fund its operations. The financial and technical assistance for neighbouring and other countries is provided on a non-commercial basis. NEDA is not designed to engage in profit-driven transactions and is not mandated to operate with the financial independence of the government. Although the government does not provide guarantees to back up NEDA's obligations, NEDA's debt constitutes part of the country's public debt. All of NEDA's borrowings require government approval.

NEDA's "20-Year Strategies" (2020-2039) are aligned with the "20-Year National Strategy" (2018-2037) and the "13th National Economic and Social Development Plan" (2023-2027). Key priorities are the promotion of regional trade and logistics, international relations, and sustainable developments. Further, 5-year strategies for each target country outline areas of support. These include cross-border trade, transport infrastructure, energy sustainability, as well as health care and human resource development.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Oct 2024- Mar 2025	----- Fiscal Year Ended 30 September -----			
		2024	2023	2022	2021
Total assets	15,304	15,056	13,067	12,125	11,297
Average assets	15,180	14,062	12,596	11,711	11,212
Investment in securities	3,721	3,688	291	554	1,166
Loans and receivables	10,879	11,112	10,966	10,484	9,962
Borrowings and interest payables	4,308	4,299	2,996	2,590	2,263
Shareholders' equities	10,880	10,655	9,980	9,474	8,998
Average equities	10,768	10,318	9,727	9,236	8,743
Total revenue	312	827	712	693	699
Net interest income	83	156	130	116	109
Revenue from government subsidies	226	671	580	580	588
Gains (losses) on investment in joint ventures	-	(0.41)	0.3	(3)	-
Other operating income	2.9	0.2	2	1	2
Expenses related to grants, subsidies, and technical assistance	31	42	107	137	111
Operating expenses	56	106	96	80	77
Net profit (losses)	224	675	503	476	511

* Reviewed but unaudited

Unit: %

	Oct 2024- Mar 2025	----- Fiscal Year Ended 30 September -----			
		2024	2023	2022	2021
Earnings					
Return on average assets ¹	2.96	4.80	4.00	4.06	4.56
Return on average equities ¹	4.17	6.55	5.18	5.15	5.85
Net interest margins ¹	1.09	1.11	1.03	0.99	0.97
Government subsidy/total revenue	72.54	81.20	81.51	83.66	84.10
Net interest income/total revenue	26.54	18.82	18.29	16.68	15.58
Gains on trading/total revenue	0.00	(0.05)	(0.04)	(0.43)	-
Other income/total revenue	0.92	0.03	0.23	0.09	0.33
Operating expenses/total revenue	18.06	12.82	13.49	11.60	10.97
Capitalisation					
Debt/equity	39.58	40.30	29.97	27.26	25.11
Shareholders' equity/total assets	71.09	70.77	76.37	78.13	79.65
Shareholders' equity/total loans	100.00	96.37	91.44	90.79	90.73
Funding & Liquidity					
Total loans/total assets	71.09	73.44	83.52	86.06	87.79
Liquid assets/total assets	28.17	25.84	15.84	13.38	11.66

* Reviewed but unaudited

¹ Annualised

RELATED CRITERIA

Rating Methodology for Government-related Entities, 27 October 2023

Neighbouring Countries Economic Development Cooperation Agency (Public Organisation) (NEDA)

Issuer Rating:	AAA
Rating Outlook:	Stable

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