

# OeEB

# Development Report 2019

Financing our Shared Future



OESTERREICHISCHE  
ENTWICKLUNGS-  
BANK AG

[WWW.OE-EB.AT](http://WWW.OE-EB.AT)

OeEB

Development Bank of Austria

## Better living conditions through a vibrant economy

OeEB was founded in March 2008 as the development bank of the Republic of Austria. Our mission is to promote economically, environmentally and socially sustainable development by investing in profitable private sector projects in developing and emerging countries. To accomplish our mission, we have three product lines available: investment finance, equity participations and business advisory services.

We are one of the key actors within the Austrian Development Cooperation, and orient ourselves to the focus points laid down in the Three-Year Program for Austrian development policy.



*OeEB is guided by the vision of a good life for 8.5 billion people in 2030, within the ecological limits of our planet.*

### OeEB – member of EDFI

OeEB is a member of the European Development Finance Institutions (EDFI) network and implements many of its projects in close cooperation with other national and international actors working with the private sector. The 15 EDFI members together hold a committed portfolio of EUR 46 billion in over 6,300 investments. Despite being the youngest EDFI-member, OeEB has grown to be the seventh largest in terms of portfolio.

### Our contribution to the SDGs

The Sustainable Development Goals (SDGs) serve as the central point of reference for our strategic positioning. Based on our mandate, all our projects contribute to SDG1 “No poverty” and SDG 17 “Partnership for the goals”.

In addition, all our projects have clear developmental goals (“main contribution”). These are mainly SDG 7 “Affordable and clean energy”, SDG 8 “Decent work and economic growth”, SDG 9 “Industry, innovation and infrastructure” and SDG 13 “Climate action”.

### OeEB signs Operating Principles for Impact Management

In April 2019, 60 global investors came together to launch the “Operating Principles for Impact Management” developed under the lead of the International Finance Corporation (IFC). These Principles constitute a common standard for impact investing and provide a framework which ensures that impact considerations are purposefully integrated throughout the investment lifecycle.

OeEB was among the founding signatories and the first Austrian investor to commit to managing its portfolio in accordance with these principles.



Furthermore, our projects frequently realise outcomes beyond their core business area (“additional material contribution”) such as promoting gender equality or compliance with particularly high environmental and social standards.

Find out more on:  
[www.impactprinciples.org](http://www.impactprinciples.org)

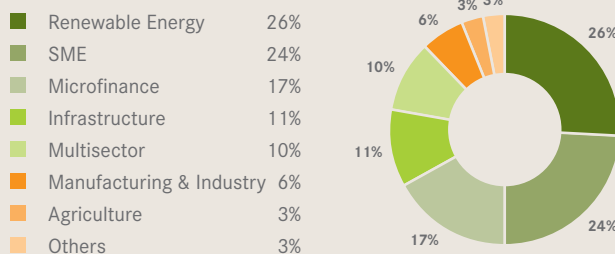


## Financing sustainable development

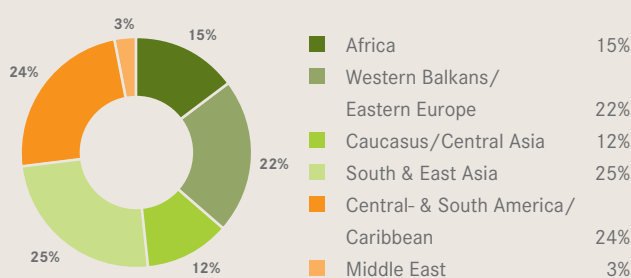
OeEB is specialised in providing long-term finance for private sector projects in developing countries which create sustainable development and better living conditions. We offer tailored, long-term credit financing solutions at near-market conditions and provide equity capital for companies and funds. Additionally, we enhance the developmental impact and sustainability of our projects through technical assistance measures.

At the end of 2019, our total committed portfolio amounted to EUR 1.37 billion – thereof EUR 1.25 billion was invested in lending projects, and EUR 122.5 million invested in equity projects.

COMMITTED TOTAL PORTFOLIO BY SECTOR (2019)



COMMITTED TOTAL PORTFOLIO BY REGION (2019)



# 134

**MILLION EURO**  
MOBILISED FROM  
THE PRIVATE  
SECTOR

# 485

**COMPANIES**  
AND FINANCIAL  
INSTITUTIONS  
WERE SUPPORTED  
DIRECTLY WITH  
TECHNICAL  
ASSISTANCE

# 5,000

**PEOPLE**  
HAVE BEEN  
TRAINED  
IN THESE  
PROGRAMMES

### The sectors we focus on

All our activities pursue the overarching objective of reducing poverty in developing and emerging countries by strengthening the private sector. In doing so, we put emphasis on projects in the fields of renewable energy, financial inclusion/micro, small and medium-sized enterprises (MSME) and infrastructure. In all the projects we finance, we particularly emphasise climate protection and gender equality as two cross-sector issues.

### Where our clients are located

We consider ourselves to be a thematically focused development bank with a broad geographic reach and can provide services in all developing countries on the OECD DAC list. Based on our development mandate and the goals defined in SDG 10 “Reduced inequalities” and SDG 17 “Promoting finance flows to countries where the need is largest”, we aim to increase our involvement in Africa and in the least developed countries (LDCs).

Find out more  
about our  
strategy on:  
[www.oe-eb.at](http://www.oe-eb.at)

**11% of our  
portfolio is  
currently  
invested in  
LDCs**

# Measuring results

Measuring results is one of the defining characteristics of impact investing. All the projects we finance have a clear goal to contribute to improving living conditions in developing countries. We therefore regularly collect data from the clients we invest in and measure and monitor the impact of our projects.

## On portfolio level

In order to measure progress towards the goals defined in our strategy, we operate a comprehensive Results Framework which encompasses specific indicators and targets and provides a framework to gauge progress toward the achievement of results.

## On project level

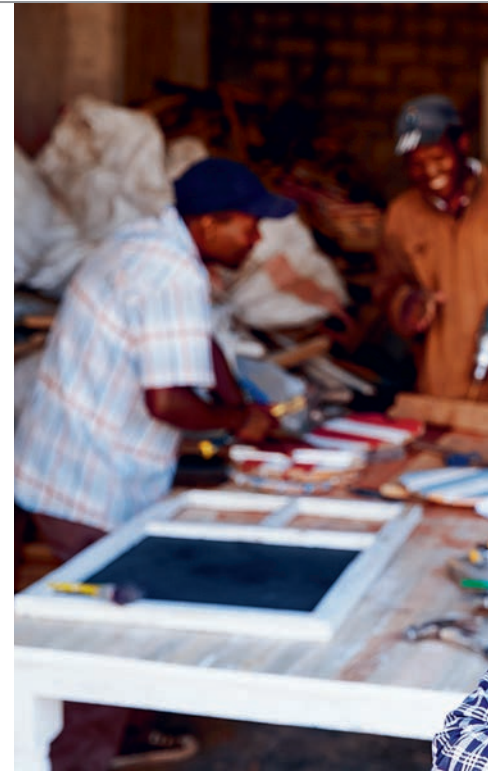
Since the beginning of 2019, we have been using an adapted version of the Development Effectiveness Rating (DERa), developed by KfW

DEG to measure impact and link results to the SDGs.

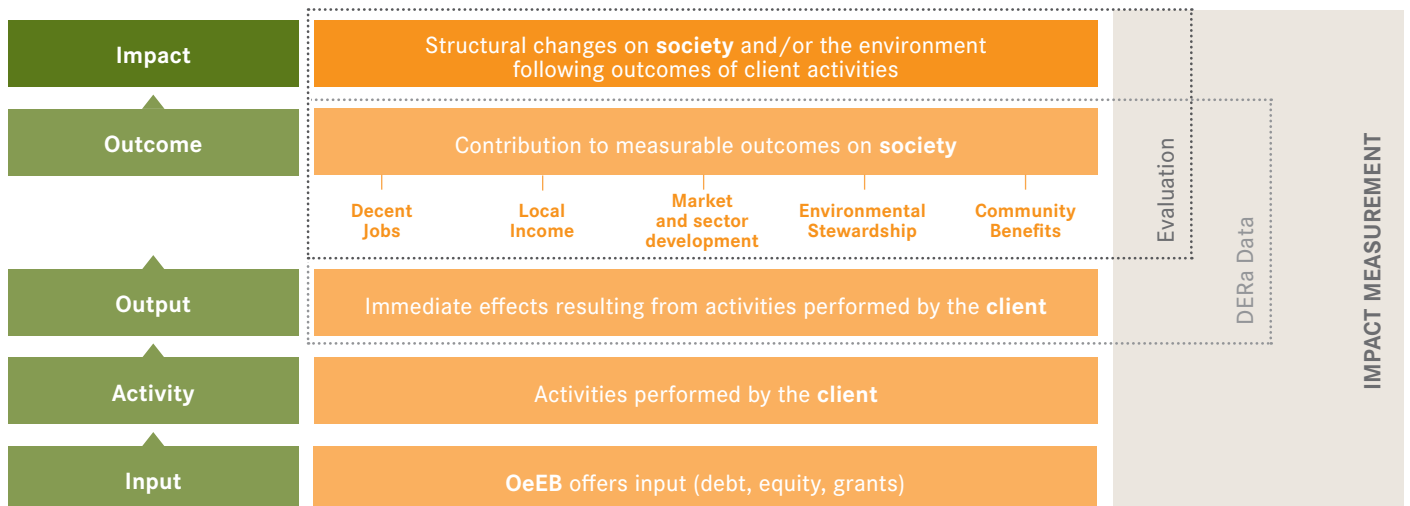
Guided by the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) and based on international best practice, DERa rates individual clients' contribution to development and follows up on changes in performance since OeEB's investment. Based on the DERa assessments, we can build our impact reporting and steer the overall development quality of our portfolio.

## Theoretical foundation

DERa is based on a so-called theory of change, a methodology used to explain the process towards desired change by mapping causal linkages from initial activities of OeEB's clients through their outputs towards one or multiple targeted outcomes and finally impacts. In a separate step, the theory of change includes the role of OeEB.



## THEORY OF CHANGE





*OeEB uses DERa in order to measure how its clients contribute to development and to identify how these impacts can be increased.*

### Application

DERa is applied throughout the project cycle of each transaction. Prior to approval of a transaction, the first DERa is filled in. It consists of (a) a baseline with actual values prior to investment and (b) a forecast of expected effects with the investment on a 5-year horizon. After commitment, the DERa is updated yearly with actual values (c). This allows us to analyse changes in our clients' contribution to development since OeEB's investment.



DERa – developed by **KFW** DEG

### Key outcome categories

Five key outcome categories were identified to assess clients' contributions to development; the first three as the main development effects, the other two as the way of doing business.

## KEY OUTCOME CATEGORIES

**1 DECENT JOBS**  
Creating more jobs is an urgent priority as jobs are the main path out of poverty. Jobs provide more than monetary income; they are the cornerstone of development: Jobs boost living standards, raise productivity, and foster social cohesion. The private sector plays a key role in achieving full and productive employment. However, it is not the mere number of jobs that is relevant; decency matters just as much. Therefore, OeEB's focus is on creating and safeguarding formal employment in compliance with ILO standards, thus contributing to SDG 8 (decent work).

#### DERa assessment fields

- # of decent jobs
- % job growth
- Indirect job potential

**2 LOCAL INCOME**  
An increase in local income provides an increase in opportunities for self-determined decisions of individuals and institutions in developing countries. The private sector is one of the main sources of local income. This contribution is stronger if the respective business model is strongly linked to the local context, i.e. if a company employs local personnel, pays taxes locally and sources from local suppliers. The Agenda 2030 underscores that the mobilisation and effective use of domestic resources are central to achieving the SDGs.

#### DERa assessment fields

- Sum of local income
- Annual growth of local income

**3 MARKET AND SECTOR DEVELOPMENT**  
Similar business activities can result in very different development outcomes depending on the country of operation. In less developed countries, a single investment is likely to have a higher impact. The same is valid for investments in sectors that enable further private sector development. In addition, there are other relevant aspects for market development. Enhancing competition is one such aspect, as is fostering innovation which contributes to SDG 9.

#### DERa assessment fields

- Country and sector focus
- Promoting innovation

**4 ENVIRONMENTAL STEWARDSHIP**  
Large parts of the global private sector rely on natural resources either as part of their core business or in their supply chains. For development to be sustainable, global environmental and climate protection as well as resource efficiency are key and targeted by several SDGs. By complying with international environmental standards, by implementing initiatives towards more sustainable operations or by producing renewable energy, the private sector contributes actively to achieving this aim.

#### DERa assessment fields

- Environmentally responsible practice
- Avoidance and savings

**5 COMMUNITY BENEFITS**  
Entrepreneurs are active citizens who play an important role in society. Not only should businesses "do no harm", but they can "do good" and contribute to development by actively engaging with local communities. This is a win-win situation for all parties involved. While businesses secure their local licence to operate, communities can see a rise in amenities and opportunities that would not have appeared otherwise.

#### DERa assessment fields

- Manage community risks
- Pro-active community development



**Structure**

DERa is designed along these five categories. Each category consists of a set of indicators that capture a client’s contribution to that specific category. These indicators are mostly quantitative in nature or are qualitative expert judgements. Some indicators are more static while others are dynamic, which allows the valuation, firstly of absolute, realised effects and secondly, the growth processes. These indicators likewise differentiate between mitigating risk and proactive development contributions.

Indicators that assess whether a client contributes to the 17 SDGs and whether the financed transaction was additional from a financial and/or a value perspective are also included in DERa for reporting purposes. In addition to scoring-relevant indicators, we collect further information such as the number of female employees, GWh produced or greenhouse gas avoided, to gain a more detailed insight into the client’s development impact.

*OeEB’s clients drive forward sustainable development in line with the 2030 Agenda.*



*DERa combines quantitative and qualitative indicators to measure development for each client.*

**DERa score**

DERa produces a cumulative score with a maximum of 150 points. For ease of interpretation, the score is linked to a qualitative categorisation:

**QUALITATIVE CATEGORISATION**

≥ 100 points	Exceptional
85–99 points	Very good
70–84 points	Good
50–69 points	Satisfactory
≤ 49 points	Unsatisfactory

Due to the multidimensional nature of DERa, no type of investment can achieve the maximum of 150 points. This was taken into consideration when developing the qualitative categorisation.

The categories “decent jobs”, “local income” and “market and sector development” – the main development effects of private sector activities – make up 75% of the total score.

“Environmental stewardship” and “community benefits” – the way of sustainably doing business – make up 25% of the total score with “environmental stewardship” carrying slightly more weight as it is partly related to community effects.

The score for each outcome category is derived from 2–3 specific assessment fields (see table on page 5). Each assessment field combines indicators that logically belong together, e.g. different types of local income or different standards adhered to.

OeEB can support its clients in achieving a better impact and hence a higher DERa score, e.g. through accompanying technical assistance or measures to improve their environmental and social management system.

**In 2019, our portfolio had an average DERa score of 81.35**

# How DERA is applied

## Working towards a gender equitable society

Gender inequality is particularly high in Pakistan which significantly limits women’s personal and economic development potential and respective opportunities. As one of the largest specialised microfinance institutions in the country, Kashf Foundation aims to alleviate poverty and empower women by providing microcredit and microinsurance products to women entrepreneurs and low-income households.

In support of this mission, OeEB provided a USD 10 million loan to Kashf Foundation in July 2019, enabling the institution to expand and open more than 160 new branches in the near future. The investment was evaluated with the impact measurement tool DERA and scored a “very good” rating based on the following criteria:

### Decent jobs

Kashf currently employs around 3,000 people and is expected to increase its staff to over 5,700 within the next 5 years. Kashf fully complies with the ILO core labour standards and has good HR management policies in place which speaks for the high quality of the jobs provided.

### Local income

By opening up new branches, Kashf expects to be able to double its customer base within the next 5 years. As a result of this, local income is expected to grow significantly.

### Market and sector development

Pakistan, Kashf’s country of operation, is classified as highly relevant.



*A loan from Kashf Foundation enabled Akbari Begum to start her own business.*

### A SUCCESSFUL JOURNEY

Akbari Begum is a long-time client of Kashf Foundation. After her husband passed away, the housewife and mother of six children faced extreme poverty. With the help of an initial loan from Kashf Foundation, Akbari started an embroidery business which she ran for three years before opening a general store. While before she struggled to run her household on a day to day basis, she is now able to afford all the necessities in life, she has health insurance and is planning to expand her business. “Owning and running a business has earned me respect from my family and the community and I am proud that my grandchildren can get proper education and a better future.” Akbari has also helped other families in her community by encouraging them to seek help from Kashf and hosts weekly debt management and investment trainings by Kashf Business Development Officers at her house.

Additional value is created by the credit line being dedicated exclusively to women and by accompanying technical assistance measures.

### Environmental stewardship

As a microfinance institution, Kashf presents low environmental risks. Social risks are reduced through Kashf’s “Smart Campaign” certification and external complaint mechanism.

### Community benefits

Kashf spends a significant amount of funds on CSR projects, especially gender awareness trainings and financial literacy courses, therefore contributing to community development.

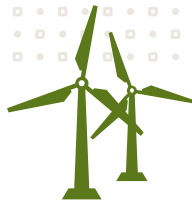
OeEB’s credit line to Kashf Foundation contributes to SDG 5 (Gender Equality), SDG 8 (Decent Jobs and Economic Growth) and SDG 10 (Reduced Inequalities).



**Driven by the expected growth in employment and local income, Kashf is expected to reach an “exceptional” score within the 5-year forecast period.**

## Development effects

We focus on investing in key sectors that drive development. We provide financing for micro, small and medium-sized enterprises which enables them to grow and to create jobs. We improve access to energy and invest in sustainable infrastructure which are essential prerequisites for economic development. In all our projects we emphasise climate protection and gender equality.



### Renewable energy

Around 1 billion people around the world still live without electricity. We focus on renewable energy sources – including water, wind, sunlight, geothermal energy, biomass and waste recycling – in order to improve access to affordable, reliable and environmentally-friendly energy.

Access to energy is an important precondition for economic development.



Off-grid solar solutions enable access to energy in rural areas.

### SOLAR POWER OFF THE GRID

Since its inception in October 2017, the “SIMA Off-grid Solar and Financial Access Senior Debt Fund” has enabled over 7 million off-grid solar connections in Sub-Saharan Africa and South Asia, bringing light and new opportunities to rural populations. “We used to have a kerosene lamp but it was expensive, the light was weak and there was a lot of smoke. With the solar lamps my children can do homework and study in the evenings which has improved their grades”, says Margaret Wamula from Vihiga County, Kenya. For Benjamin Lesinko, solar power offers light but also security to his family and their livestock, the basis of the family’s livelihood. “Since we installed two lamps in front of the house, the number of attacks by wild animals has reduced significantly. New opportunities are also opening up for the family itself. My younger brother can now do his homework in the evenings and watch his favourite TV programmes.” OeEB has been providing long-term financing of USD 9.5 million to the SIMA fund since June 2019.

1,262

**MW**  
NEWLY INSTALLED  
POWER  
GENERATION  
CAPACITY FROM  
RENEWABLE  
SOURCES

4,410

**GWh**  
PRODUCED  
POWER FROM  
RENEWABLE  
SOURCES

4

**MILLION PEOPLE**  
PROVIDED WITH  
CLEAN ENERGY

29

**PERCENT**  
OF OeEB’s  
PROJECTS  
MADE A MAIN  
CONTRIBUTION  
TO SDG 7





# 549

**MILLION EURO**  
I.E. 40% OF OeEB's  
PORTFOLIO  
INVESTED IN  
CLIMATE-RELEVANT  
PROJECTS

# 2.4

**MILLION TONS**  
OF CO<sub>2</sub> EMISSIONS  
SAVED BY OeEB's  
RENEWABLE  
ENERGY PROJECTS



**Financial inclusion/Micro, small and medium-sized enterprises (MSME)**

The financial inclusion of those who do not have access to formal financial services is a particular concern of ours. Therefore, we will continue our activities in the field of microcredits as the most direct way of reaching the poorest in society. By investing in local financial institutions and relevant funds we contribute to improving access to finance for SMEs – the backbone of many developing and emerging countries – which enables them to grow and to create jobs.

*Around 90% of jobs in developing countries are provided by the private sector.*



# 537,343

**PEOPLE**  
EMPLOYED  
IN PROJECTS  
FINANCED  
BY OeEB

# 174,325

**MSMEs**  
REACHED WITH  
OeEB FINANCING

# 55

**PERCENT**  
OF OeEB's PROJECTS  
MADE A MAIN  
CONTRIBUTION TO  
SDG 8



# 37

**PERCENT**  
OF OeEB's PROJECTS  
MADE A MAIN  
CONTRIBUTION TO  
SDG 13



### Climate protection

Fighting climate change is the most pressing issue of our time. Through our investments, especially in the renewable energy sector, we contribute to achieving the globally agreed climate finance objectives and aim to retain our position as the largest Austrian provider of international climate finance.



**Gender equality**

Women are affected by several aspects of poverty significantly more than men. Therefore, gender equality is anchored as a cross-sector issue within OeEB. We aim to structure all our business activities in such a way as to avoid discrimination and specifically empower women.



*Banco Pichincha supported Rosa in achieving her goals.*

**SEWING A BETTER LIFE**

Rosa Elena Lugmania Arequipa had always been skilled in cutting and sewing, so, in 2011, she started her own business. With hard work, determination and dedication Rosa was able to expand her business which now employs 12 people – most of them single mothers like herself. “Having a business of my own has given me the opportunity to guarantee a better quality of life for my family, to spend more time with my children and to help them meet their goals. One of my children has an intellectual disability. My business allowed me to give her employment and this way link her to the labor market.” Microloans provided by Banco Pichincha made it possible for Rosa to achieve her goals, to acquire the necessary tools and materials and to continually grow her business. In March 2019, OeEB provided a USD 20 million loan to Banco Pichincha, dedicated to strengthening women entrepreneurs in Ecuador.

130

**MILLION EURO OF LOANS PROVIDED IN 2019 CONTRIBUTED TO WOMEN'S ECONOMIC EMPOWERMENT**

142,348

12

**PERCENT OF OeEB'S PROJECTS MADE A MAIN CONTRIBUTION TO SDG 9**



**BUILDING A MOBILE COMMUNICATION INFRASTRUCTURE IN MYANMAR**

In 2014, only 14% of Myanmar's population had access to mobile phone services and it was almost impossible to make phone calls outside of urban areas. Private operators such as Irrawaddy Green Towers (IGT) play an important role in developing the necessary infrastructure for a countrywide mobile network. Specialised in building and operating transmission masts, IGT has set up a network of around 3,300 mobile phone towers in Myanmar, providing coverage to millions of people. Since 2014, the country's mobile subscription rate has already risen to 116%. Operators like IGT have significantly contributed to this fast development.

OeEB has been providing a long-term USD 15 million loan to IGT since 2015. Other lenders include development finance institutions such as IFC, FMO, DEG, CDC, Proparco and BIO.

*3,300 mobile phone towers connect millions of people in Myanmar.*



**I.E. 26% OF PEOPLE EMPLOYED IN OeEB'S PROJECTS ARE WOMEN**

6

**PERCENT OF OeEB'S PROJECTS MADE A MAIN CONTRIBUTION TO SDG 5**



**Infrastructure**

Functioning and reliable infrastructure is a prerequisite to economic development. Up to 2030, approximately USD 1.3 trillion of investment will be needed per year in developing countries. We contribute to closing this gap by providing financing for private, economic infrastructure projects.

## Evaluating results

Evaluations of current or completed projects enable us to learn and to make our investments even more effective. The insights we gain by looking at all aspects of a project are incorporated into our decision-making process and help us continually improve on our work.

In its evaluations, OeEB follows the Evaluation Policy of the Austrian Development Cooperation.

### Improving access to finance in Latin America and Asia

In 2015, OeEB invested USD 5.9 million into Development World Market's (DWM) USD 52.1 million Inclusive Finance Equity Fund II. In addition, OeEB supported the fund in developing its Environmental and Social Management System (ESMS).

By providing equity to inclusive financial institutions in Latin America and Asia, the fund aims to improve access to financial services for disadvantaged groups and SMEs. As a mid-term evaluation by independent experts shows, these objectives have largely been achieved:

**Relevance:** All investments served the needs and policies of the investees' countries as well as global development goals. However, the fund frequently acquired shares on the secondary market, therefore not directly increasing investees' capital base, or invested in financial intermediaries that had already surpassed the "early stage" phase.

Read the full report and management responses on [www.oe-eb.at](http://www.oe-eb.at)

**Effectiveness:** The fund's original target was expected to be larger than what it ended-up closing at. However, all funds were disbursed in the target regions and portfolio companies have been strengthened as a result of the fund's investments, enabling them to grow more and faster.

**Efficiency:** While there are still a few more years to go before the fund is actually liquidated, it is not expected that the fund's yield will reach expected levels.

**Development Impact:** All investments contribute to improving

financial inclusion. To date, the local portfolio companies provide access to funds to close to 1.8 million microfinance and small and mid-sized enterprise clients; 89% of whom are women and 18% live in rural areas.

**Sustainability:** The fund's investments have had a positive impact in the governance of the investees which helped strengthen them. Further, DWM's strong push to enhance social and environmental policies and other contributions such as guidance in terms of digitalisation are expected to have a lasting impact.



Abnery Cortina successfully expanded her car repair shop.

### A LAUNCHING PAD FOR A BETTER LIFE

Despite Abnery Cortina's family-run car repair shop in Bogota, Colombia, being in business for more than a decade, it still lacks formal accounting. Because of this and despite having adequate guarantees, traditional commercial banks were not willing to lend to her. With the help of a loan provided by ACERCASA, investee of DWM's Inclusive Finance Equity Fund, Abnery could purchase the adjacent property and successfully expand her business – an important step towards a secure retirement for herself and a launching pad for a better life for her son.





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