

OeEB

Development Report 2020

Financing our shared future



OESTERREICHISCHE
ENTWICKLUNGS-
BANK AG

WWW.OE-EB.AT

Better living conditions through a vibrant economy

OeEB was established 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 over EUR 40 billion in over 9,500 investments. Despite being the youngest EDFI-member, OeEB has grown to be the eighth 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 SDG 1 “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”.

Increased commitment to more transparency

In December 2020, OeEB was one of the first Austrian companies to sign the TCFD recommendations.

The TCFD (Task Force on Climate-related Financial Disclosures) was founded by the International Financial Stability Board of the G20 to better understand and promote disclosures about climate-related financial information. Its voluntary recommendations for standardised climate reporting are structured around four thematic areas that represent core elements of how organisations operate – governance, strategy, risk management, and metrics and targets – and are implemented by companies worldwide.

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.fsb-tcfd.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 2020, our total committed portfolio amounted to EUR 1.44 billion – thereof EUR 1.32 billion was invested in lending projects, and EUR 120 million invested in equity projects.

50.7

MILLION EURO
MOBILISED FROM
THE PRIVATE
SECTOR

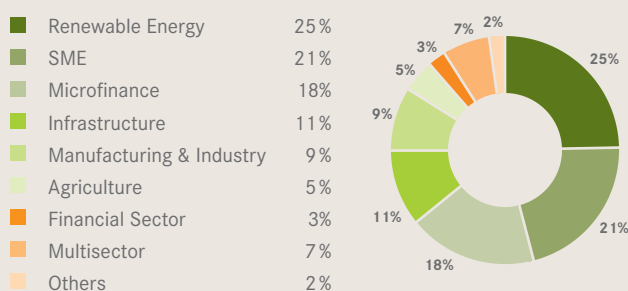
402

COMPANIES
AND FINANCIAL
INSTITUTIONS
WERE SUPPORTED
DIRECTLY WITH
TECHNICAL
ASSISTANCE

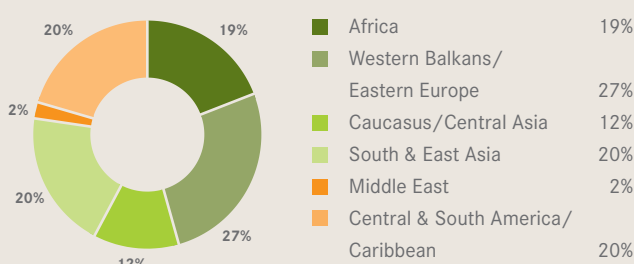
1,180

PEOPLE
HAVE BEEN
TRAINED
IN THESE
PROGRAMS

COMMITTED TOTAL PORTFOLIO BY SECTOR (2020)



COMMITTED TOTAL PORTFOLIO BY REGION (2020)



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

**12.4% of our
portfolio is
currently
invested in
LDCs**

Gender-Lens Investing

Despite undeniable progress over the last years, gender inequality remains pervasive around the world. ‘Economic participation and opportunity’ is one of the areas where inequalities between women and men are still the widest. This is why OeEB has anchored gender equality as a cross-sector objective in its strategy. By looking at all our investments through a gender lens we aim to empower women and reduce inequalities.



Investing in women – the right and the smart thing to do.

Around the world, women are still less present than men in the labor market, they generally earn less, are more concentrated in lower skilled positions and sectors, and have fewer prospects for advancement or growing their businesses – e.g. due to limited access to finance. All of these factors contribute to the economic gender gap and make women especially vulnerable to poverty.

Often, these barriers are magnified during times of crisis. In light of the ongoing COVID-19 pandemic and increasing effects of climate change which disproportionately impact women, especially in developing countries, it is more important than ever to tackle the obstacles that limit women’s potential.

While women make up 47% of support staff, they only hold 29% of senior management positions worldwide.

Invest in women.

Invest in the world.

Promoting gender equality and enabling women to fully participate in and benefit from the economy is not only the right thing to do and a social and moral imperative – it is also the smart thing to do. As evidence from around the world has proven time after time, investing in women makes clear economic sense:

Research suggests that the global Gross Domestic Product could increase by as much as USD 28 trillion if women played the same role in labor markets as men (McKinsey). Women represent USD 20 trillion in global consumer spending and make the majority of household consumer purchasing decisions worldwide (BCG). Gender-diverse boards and senior management teams can lead to better business performance, including an increase in return on equity of up to 27% (Credit Suisse). Women also typically invest their financial resources more strongly in their families and local communities

With a global financing gap of USD 300 billion, 70% of formal, women-owned SMEs have inadequate or no access to financial services.

which creates positive long-term development effects such as better food and education for children and higher volumes of savings (IFC).

Women’s equality and empowerment is therefore not only one of the 17 Sustainable Development Goals (SDGs) but also a means of achieving sustainable development and key for the successful implementation of the 2030 Agenda.



Gender-Lens Investing

Without the engagement of the private sector, global goals for gender equality and women’s economic empowerment cannot be accomplished. Development finance institutions (DFIs) play an important role in providing capital to help bridge the economic gender gap and to advance women as entrepreneurs, business leaders, employees, and consumers by investing in women’s access to finance, quality jobs, and products and services that benefit them.

By integrating a gender analysis and gender equity-related objectives into their investment process and into their own internal policies and administration, DFIs have been at the forefront of ‘Gender-Lens Investing’ – and lead the way for the investment industry through bold initiatives such as the 2X Challenge.

2X Challenge: Financing for women

The 2X Challenge was launched in June 2018 by the DFIs of the G7 countries with the goal to jointly mobilise a total of USD 3 billion by the end of 2020 for businesses that are owned or managed by women or that specifically empower women as employees and consumers.

Since its launch, additional DFIs have joined the initiative. At the end of 2020, the members had committed a total USD 6.88 billion and mobilised another USD 4.5 billion in gender-smart investments, surpassing the original target by 100%. The initiative’s ambitious new goal is to raise at least a further USD 15 billion by the end of 2022.

The 2X Challenge Working Group has developed five ‘2X criteria,’ which define what it means to invest

Globally, less than half (47%) of all women participate in the labor force, compared to nearly three in four (74%) men.

in gender equality and women’s empowerment: entrepreneurship, leadership, employment, consumption and intermediated investment. The 2X Investment Criteria are today regarded as the global industry standard for gender-lens investing that investors – DFIs as well as private investors, financial institutions and businesses – use as guidance.

As gender-lens investing continues to grow, it is critical that investors are able to measure and monitor the impact their investments have on advancing gender equality and women’s economic empowerment. In support of this, the 2X Challenge in collaboration with the Global Impact Investing Network (GIIN) launched a guidance note on ‘How to Measure the Gender Impact of Investments’ which sets out a series of key gender impact indicators, aligned to the 2X Challenge criteria that create an industry standard and enable the global investment community to better measure the gender impact of their financial commitments.

**Find out more on:
www.2xchallenge.org**

Fulfilling one of these five criteria makes an investment 2X eligible.



WHAT IS A 2X CHALLENGE INVESTMENT?

It fulfills one of these criteria:

ENTREPRENEURSHIP

51%

or more women ownership or business founded by a woman

LEADERSHIP

20-30%

or more women in senior leadership positions or 30% women on the Board or Investment Committee

EMPLOYMENT

30-50%

or more women in the workforce and a programme supporting women’s employment

CONSUMPTION

products or services that specifically or disproportionately benefit women

Investments through funds or financial intermediaries are eligible when at least

30%

of businesses supported meet the 2X criteria

Gender equality is anchored as a cross-sector goal in OeEB's strategy.



OeEB's approach to Gender-Lens Investing

In late 2020, OeEB was among the most recent DFIs to join the 2X Challenge and to formally adopt and incorporate the 2X criteria into its impact measuring system. This shows OeEB's commitment to supporting women's economic empowerment and reducing gender inequality which is anchored in our strategy 2019-2023 as a cross-sector goal.

As outlined in our Gender Action Plan, which was published in early 2020, gender-lens investing is the approach we have chosen to reach this goal. This means that we incorporate a gender analysis into our investment process to make better investment decisions that avoid discrimination and specifically help empower women.

With our investments, we aim to:

- increase access to capital for businesses which are owned and led by women – e.g. by developing a gender-smart product range for financial institutions, to include financial and non-financial service offers
- promote gender-equitable workplaces – e.g. by incorporating gendered risks into our environmental and social management system and using our leverage to improve workplaces for women
- support companies which develop products and services that can directly improve the lives of women and girls – e.g. by prioritising investments that specifically serve female needs

Our aim, however, is not only to incorporate a gender-lens into our Environmental and Social Management System or to develop gender-smart finance offers but also to improve gender awareness and capacity within OeEB. Providing trainings and knowledge-sharing platforms for all staff, appointing a gender focal point on corporate and departmental level, and strengthening OeEB's internal workplace policies with a gender-lense have been some of the measures we have taken to achieve this.



Download our
Gender Action Plan on
www.oe-eb.at

Through gender-lens investing, OeEB aims to increase women's participation in the economy.

The way forward

With this objective in mind, we continue to develop and grow as a company and an impact investor. In order to better understand causalities between gender related finance and the transformative impact on women's economic empowerment, OeEB and the German DFI DEG commissioned a study to Syspons GmbH on this topic.

OeEB continues to incorporate a gender lens into its business processes.

The specific aims of the study are to:

- expand our knowledge base and learn about DEG's and OeEB's potential to contribute to gender transformative change through financial investments as well as about the effects of gender-lens investing (GLI) on women's economic empowerment (WEE),
- develop a Theory of Change to inform DEG's and OeEB's strategy design on gender-lens investing, and to
- lay a foundation for impact management/evaluation to integrate gender into our impact measuring system DERA in the future.

One of the first steps was to screen our entire project portfolio against the 2X criteria by sending out a questionnaire to all our clients. Around 70% of clients responded and results show that 82% of respondents already fulfil at least one of the 2X criteria.

In a next step we are conducting deep dives with some of our clients. The research question takes a look at "Women's Leadership & Structural Barriers with a Care Economy Lens" and tackles the following aspects:

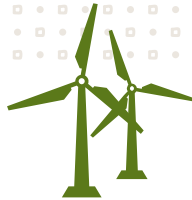
- How can the relationship between women's leadership and broader WEE outcomes be defined?
- What are determining factors and pre-conditions to be met in order to enhance women's access to leadership positions, actual career advancement, and its effects on WEE at client level?
- To what extent can clients address structural issues such as social and gender norms e.g., to what extent are business practices effective in reducing women's unpaid care work, in raising awareness and changing attitudes, and in engaging men and boys?
- To what extent does women's leadership itself translate into client level outputs and outcomes in relation to WEE?
- How could DEG and OeEB support clients in creating workplace conditions that have a positive effect on WEE in the future?

The results of the entire study are expected in the fourth quarter of 2021 and will be published on our website.



Development effects

We regularly evaluate each client's contribution to development with an adapted version of the Development Effectiveness Rating (DERa) tool developed by DEG and operate a comprehensive Results Framework on portfolio level to assess our impact and measure progress towards the goals defined in our strategy.



Focus Sector: 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.



Turkey has ambitious plans for its large hydropower potential.

CLEAN ENERGY FOR 9,000 HOUSEHOLDS

In an effort to diversify the country's energy mix, reduce dependence on fossil fuel imports and keep up with the rapidly increasing energy demand, the Turkish government has ambitious plans to increase the share of renewable energy to over 50% of total energy generation by 2023. The country's large hydropower potential plays a crucial role in achieving these goals. With a USD 9 million long-term loan to Kuyuma Elektrik Üretim A.S., OeEB enabled the construction and operation of a small hydropower plant in the Turkish Black Sea region. The 9.73 MW hydropower plant completed construction in late 2020. With an annual production of around 27 GWh it can supply over 9,000 households with clean energy which contributes to improving the country's energy supply while at the same time reducing greenhouse gas emissions.

2,640

MW
NEWLY INSTALLED
POWER
GENERATION
CAPACITY FROM
RENEWABLE
SOURCES

In 2020, the average DERa score of our projects was 82.61 ('good').

6,029

GWh
PRODUCED
POWER FROM
RENEWABLE
SOURCES

OVER **4**
MILLION PEOPLE
PROVIDED WITH
CLEAN ENERGY

29

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





AfricInvest IV provides equity capital to SMEs across Africa.



HELPING AFRICAN BUSINESSES GROW

SMEs are important drivers of job creation and economic growth but often face insufficient access to the capital they need to thrive. Through a USD 5.1 million investment in AfricInvest IV, OeEB contributes to bridging this gap. With the aim to foster the growth of enterprises across the continent, the pan-African fund provides equity capital and management support to mid-cap and growth-oriented businesses, helping them to grow sustainably and create long-term impact. The fund is aimed at companies in a wide range of sectors, including healthcare, education, finance, telecommunications, logistics and manufacturing. Its investments make a significant contribution to strengthening the economy and creating up to 2,500 new jobs across the continent.

673,958

**PEOPLE
EMPLOYED
IN PROJECTS
FINANCED
BY OeEB**

226,344

**MSMEs
REACHED WITH
OeEB FINANCING**

48

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



**Focus Sector: 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.

13

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



Focus Sector: 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.



**Cross-Sector Goal:
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 Ficohsa banks on women-owned SMEs.

DRIVING FINANCIAL INCLUSION

Micro, small and medium-sized enterprises (MSME) are the backbone of Honduras' economy and play a central role in creating jobs and local income. However, limited access to finance significantly hampers their growth and development. Women-owned businesses are particularly affected by a lack of access to suitable financial services. Banco Ficohsa, the largest commercial bank in Honduras, wants to change this. With a variety of financial and non-financial services, including insurance, capacity building workshops and technical advisory services, specifically targeting women entrepreneurs, the bank aims to become the leading bank in Honduras for women-owned MSMEs. OeEB supports this goal by providing a USD 20 million long-term credit line for on-lending to local MSMEs. 50% of the funds are dedicated to women-owned businesses.

189,771

**I.E. 28% OF PEOPLE
EMPLOYED IN OeEB'S
PROJECTS ARE WOMEN**

7

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



35

**MILLION EURO
OF LOANS PROVIDED IN
2020 CONTRIBUTED TO
WOMEN'S ECONOMIC
EMPOWERMENT**



**Cross-Sector Goal:
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.

549

**MILLION EURO
I.E. 38% OF OeEB'S
PORTFOLIO
INVESTED IN
CLIMATE-RELEVANT
PROJECTS**

1.5

**MILLION TONS
OF CO₂ EMISSIONS
SAVED BY OeEB'S
RENEWABLE ENERGY
PROJECTS**

35

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



SAVING ENERGY TO COMBAT CLIMATE CHANGE

Using energy efficiently is indispensable to achieving global climate targets. The International Energy Agency estimates that energy efficiency alone can contribute to 40% of total global CO₂ emission reductions by 2040. This is why OeEB focuses not only on renewable energy projects but also on investments that ensure that energy is used more efficiently. One example is a EUR 25 million loan provided to UMKA d.o.o., the largest manufacturer and supplier of folding boxboard based on recycled paper in Serbia and the SEE region. The funds enable the company to modernize and improve its production technology and install a system for biological waste water treatment – important investments towards increasing production capacity, creating new jobs and reducing energy consumption as well as greenhouse gas emissions throughout the production process.



*Energy efficiency
boosts economic
growth and reduces
CO₂ emissions.*

Our COVID-19 response

Developing and emerging countries have been hit particularly hard by the economic impact of the COVID-19 pandemic. Development Finance Institutions like OeEB play a crucial role in supporting them in weathering the crisis and providing the capital needed for a sustainable recovery.

The global COVID-19 pandemic and measures put in place to contain it have put a strain on economies worldwide. Developing and emerging countries have been hit particularly hard by disruptions in trade, transportation, production, and tourism. Business closures, a rise in unemployment, and significant loss of income and savings were the result, threatening to wipe out years of jobs growth and economic development.

While foreign direct investments and remittances – two important sources of finance for developing and emerging countries – decreased, the role of Development Finance Institutions like OeEB, who can generally take on higher risks and act countercyclically during times of uncertainty, has become more important than ever.

Supporting clients in weathering the crisis

Since the beginning of the pandemic, we have been in close contact with our clients to support them during this challenging time, not only financially by extending loan terms or providing additional finance to help them bridge liquidity bottlenecks, secure jobs, and safeguard impact, but also through advice and information, e.g. on measures to ensure the health and safety of their staff.

Also in challenging times, OeEB remains a reliable partner.



Strengthening SMEs and the financial sector

Micro, small and medium-sized businesses are the backbone of the economy in many developing countries. Due to limited cash reserves and restricted access to finance and short-term liquidity they have been hit particularly hard by the COVID pandemic.

Through a EUR 30 million investment in the European Financing Partners “COVID response window” – a joint initiative by the European Development Finance Institutions and the European Investment Bank – we contribute to strengthening financial institutions and businesses affected by the Covid crisis.

Despite lockdowns and travel restrictions, we found new ways to prepare and negotiate investments and conduct solid due diligence processes remotely. Through digital meetings, a strong network of international partners and assistance from local consultants we were able to continue funding and

signed EUR 300 million in new loans and equity participations in 2020. More than EUR 90 million was invested in Africa and EUR 64 million in Least Developed Countries which underscores our commitment to support those most in need.

Investing in a sustainable recovery

While the global economy is expected to expand again in 2021, many developing and emerging countries continue to struggle with the long-term economic impact of the pandemic. Alongside short-term support to secure jobs and liquidity, long-term investments are essential to enable countries to rebuild their economies. The crisis can also present an opportunity to ‘build back better’ by investing in green and digital transitions and by tackling the inequalities that have been magnified by the crisis to create a more resilient and inclusive economy. Finance and support from impact investors like OeEB will be critical for this sustainable economic recovery.



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