Strategy 2024-2028
Financing our shared future

December 11, 2023
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<tr>
<td>BMEIA</td>
<td>Federal Ministry for European and International Affairs</td>
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<td>BMF</td>
<td>Federal Ministry of Finance</td>
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<td>BMK</td>
<td>Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology</td>
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<td>DEG</td>
<td>Deutsche Investitions- und Entwicklungsgesellschaft mbH</td>
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<td>DERa</td>
<td>Development Effectiveness Rating Tool</td>
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<td>EDFI</td>
<td>European Development Financing Institution</td>
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<td>EDFI MC</td>
<td>EDFI Management Company</td>
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<td>EFSD+</td>
<td>European Fund for Sustainable Development+</td>
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<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<td>IFI</td>
<td>International Financing Institutions</td>
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<td>LDC</td>
<td>Least Developed Country</td>
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<td>LMIC</td>
<td>Low- and Middle-Income Countries</td>
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<td>MSME</td>
<td>Micro-, small- and medium-sized enterprises</td>
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<td>NDICI</td>
<td>Neighbourhood, Development and International Cooperation Instrument (of the EU)</td>
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<td>ODA</td>
<td>Official Development Aid</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OeEB</td>
<td>Development Bank of Austria</td>
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<td>OeKB</td>
<td>Oesterreichische Kontrollbank</td>
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<td>PA</td>
<td>Paris Alignment</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>UMIC</td>
<td>Upper Middle-Income Countries</td>
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<td>WKO</td>
<td>Austrian Economic Chamber</td>
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As part of the United Nations’ Global Agenda 2030 from 2015, Austria promised to provide developing countries with financial support as part of implementing the Sustainable Development Goals (SDGs). As the official development bank of the Republic of Austria, we act on behalf of the federal government as one of the central institutions responsible for implementing this commitment.

Our mission is to finance sustainable private-sector projects in developing countries around the world that make sense in terms of development policy and are economically viable. Our projects aim to improve the living conditions of local people and support the implementation of the SDGs.

We finance, advise and support private institutions that make a sustainable contribution to a vibrant local economy and the development of the private sector through entrepreneurial activity and which comply with international standards - subject to the condition that the generation of development effects is ensured.

Such effects include the creation of local jobs, the generation of national income, and improved access to urgently needed financing and/or capital in developing countries (where this access is often lacking), so that sustainable investment projects can be realised - including investments in climate protection.

Our entrepreneurial development financing projects target the private sector. In the 2030 Agenda, special emphasis was placed on the role of the private sector in achieving the Sustainable Development Goals. This is because the targeted involvement of private companies, private financial institutions and other private actors can mobilise additional funds for development-relevant projects.

The private sector is an important driver in the creation and maintenance of skilled jobs, but also for the development of sustainable private infrastructure, industrialisation and the promotion of innovation. As part of our work, we take into account the promotion of gender equality to empower women and encourage their participation in economic life.

In doing so, we are guided by the vision of a good life for the 8.5 billion people who will inhabit the earth in 2030 within the ecological limits of the planet. We also take account of the commitment given by Austria at the Paris Climate Conference to make its own contribution towards the international goal of climate financing. We consider our ability to make a particularly efficient and effective contribution to this climate financing goal with our financial instruments a comparative strength and aim to remain one of the largest international climate financiers in Austria. We also intend to continue supporting developing countries that are disproportionately affected by climate change.

At the same time, through the process of Paris Alignment on both the project- and portfolio level, we will endeavour to fulfil the requirements of Article 2.1.c of the Paris Climate Agreement. According to this provision, all financial flows must be consistent with the goal of limiting global warming to 1.5 degrees Celsius and thus with a low level of greenhouse gas emissions and climate-resilient development. OeEB’s goal is to ensure that the emissions financed by our entire portfolio are reduced to net zero by 2040 - in line with Austria’s political objectives. Because achieving this goal will be highly challenging (i.e. because, according to
scientific scenarios, developing countries will need more time for this transition due to their capacities and technology level), this goal will be subject to evaluation together with stakeholders at the end of this strategy cycle.

We are one of several actors in Austrian development policy who work together in a complementary manner. We also take Austrian foreign policy and foreign trade interests into account as part of our work.

Financing development goals, especially against the backdrop of the multiple crises currently unfolding, will only succeed if there is cooperation with the private sector and if funds can be mobilised from the private sector beyond traditional ODA (Official Development Assistance). We will therefore continue to develop new instruments, innovations and collaborations to leverage private funds using the limited public resources at our disposal. Between 2015 and 2021, we leveraged a total of around 350 million euros in private capital through our activities in accordance with OECD criteria. With regard to the ongoing migration debate, we make a key contribution to creating economic prospects locally.

The Russian war of aggression in Ukraine poses major development policy challenges. Therefore, on the one hand, we intend to implement measures to rebuild the country’s private sector. On the other hand, we will also consider the impact of the war on developing countries worldwide, where higher food and energy prices have led to a dramatic decline in economic activity.

Development banks and international financial institutions will jointly deploy their instruments and resources to provide support and stabilisation and provide coherent support via strategic financing platforms.

We are guided by the following principles when implementing our projects:

— Our projects are designed to strengthen the private sector in our target countries. Private funds must be mobilised to achieve the sustainable development goals, due to the financing gap of around 1.5 trillion US dollars per year.
— We strategically position ourselves as a thematically-focused development bank with four main business areas: Green Finance, MSME / Financial Inclusion, Private Infrastructure and Industry, and Gender.
— We are committed to the United Nations’ international climate target and the Paris Alignment at both the project and the portfolio level and aim to reduce the total emissions financed by our portfolio to net zero by 2040.
— We operate exclusively in developing countries according to the OECD DAC list and intend to expand our engagement in the poorest countries (least developed countries) and Africa.
— As a development bank, we support policy coherence. Therefore, we coordinate our fundamental strategic orientation with the other relevant actors in development policy on both the national and international level. In this way, coherent policy may be achieved for the entire country.
— We, along with other development banks and our stakeholders, are in favour of strategically coordinated reconstruction projects in Ukraine’s private sector.
— We consider positive development effects as the central “raison d’être” of our projects and measure the planned and achieved development effects of our clients’ projects as well as their contribution towards the SDGs using a development policy rating tool.

1 see e.g. IEA Net Zero Pathway
— We support and advise our clients on a long-term basis and provide funding for technical assistance, i.e. to implement international environmental, social and human rights standards and climate-related activities. In this way, we make an important contribution to the gradual implementation of measures by our clients in developing countries.

— We think and act like entrepreneurs. We therefore pay attention to economic sustainability, both in our clients’ projects and in our own organisation. We partner the projects we finance over the entire term of the contract and support and advise our customers in every project phase, including when projects run into difficulties.

— We are committed to our responsibility towards the Austrian economy and aim to leverage its comparative strengths as part of implementing the SDGs in developing countries. When identifying and carrying out projects, we make targeted use of the contacts and expertise available at Austrian companies.

— According to the principle of additionality, we act in a complementary and synergetic manner to domestic and foreign commercial banks. In this way, we avoid crowding out private actors.

... because development policy connects people all over the world and there can be no future without global partnership.
2. OeEB’s mandate

Oesterreichische Entwicklungsbank (OeEB) was founded in 2008 as a specialised institution and is a wholly owned subsidiary of Oesterreichische Kontrollbank (OeKB). As such, we are subject to the applicable regulatory framework.

We act on behalf of the Republic of Austria as a thematically-focused development bank. In implementing our statutory mandate\(^2\), we support sustainable private sector investments in developing countries by providing financing at near-market conditions and investing in companies and funds on behalf of the Republic of Austria or with own funds collateralised by federal guarantees. We also offer financial support (technical assistance) for consulting services to help prepare and support projects from our own funds.

All our activities serve the overarching goal of contributing to achieving the Sustainable Development Goals (SDGs) in developing countries by strengthening the private sector. As a specialist institution with a banking licence, our mandate obligates us to conduct our business activities in a profit-oriented but not profit-maximising manner.

In doing so, OeEB is bound by the objectives and principles set out in the Development Cooperation Act, as amended\(^3\). As one of the central players in Austrian development policy (alongside the Federal Ministry for European and International Affairs, Federal Ministry of Finance, ADA, etc.), OeEB is also guided by the Three-Year Programme on Austrian Development Policy and the priorities defined therein\(^4\).

We have a comprehensive range of instruments at our disposal, comprising Financing, Equity Capital, African-Austrian SME Investment Facility and Business Advisory Programmes (consulting and implementation services for international standards, climate activities and technical assistance measures).

We act in addition (i.e. in a complementary and synergetic manner) to domestic and foreign commercial banks:

— We take account of financial additionality: financing is provided at conditions, terms and volumes that the market cannot offer.

— Thanks to federal guarantees provided by the Federal Ministry of Finance, we are better able to invest in riskier developing countries as compared to other private market participants. This, in turn, enables us to leverage private financing.

— We also contribute to value additionality: we contribute our expertise in the financial structuring of projects and advise and support our clients on the implementation of international environmental, social and human rights standards, the introduction of other criteria (including governance criteria, risk guidelines) and the implementation of climate-relevant activities.

\(^2\) §9 Export Guarantees Act
\(^3\) https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20001847
\(^4\) https://www.entwicklung.at/mediathek/publikationen/strategische-dokumente/
— It is particularly important to us to support our clients with technical assistance for the implementation of project-related measures that strengthen the developmental impact of our projects and aim to implement international standards and climate action.

— In countries with higher income levels and especially in Upper Middle Income Countries, which will be removed from the OECD DAC list of ODA recipients in the foreseeable future, we aim to strengthen the component of value additionality by contributing technical and financial expertise and financial innovation.

We will also draw up a separate policy note on the topic of additionality within six months of the start of the strategy cycle and discuss this with our stakeholders.

We also take Austrian foreign policy and foreign trade interests into account in our work. This is relevant when setting our thematic work priorities, where we want to utilise the expertise of Austrian companies, i.e. as part of climate-relevant activities. It also covers our contribution to ensuring a stable environment in Austria's neighbourhood and to the reduction of greenhouse gases as part of our efforts to combat climate change.
3. Strategic focus areas and geographical focus

3.1 Strategic focus areas of our investments

In the 2024 to 2028 strategy cycle, OeEB will position itself as a **thematically-focused development bank** with a **broad geographical approach**. In this way, we can diversify risk and respond flexibly to the existing needs in our partner countries, taking into account the numerous overlapping geopolitical crises which are currently unfolding.

In line with our mandate, the objective of all OeEB projects is to promote the **development of the private sector** and contribute to the implementation of the Sustainable Development Goals (SDGs).

In doing so, we focus on **four key strategic focus areas** which make a predominant, but not exclusive, contribution to the SDGs listed:

1. **Green Finance** - SDG 13 *Climate action*
2. **MSME/Financial inclusion** - SDG 8 *Decent work and economic growth*, SDG 10 *Reduced inequality within and among countries*
3. **Private, economic infrastructure and industry** - SDG 9 *Industry, Innovation and infrastructure*
4. **Gender** - SDG 5 *Gender equality*

We may also support projects that go beyond these priorities if they demonstrate a high level of added value (in terms of development policy or there is a strong foreign trade interest) and which make an important contribution to private sector development.

The following graphic outlines the four thematic priorities mentioned above and their primary SDG relevance, describes the efforts to align with the Paris Agreement ("Paris Alignment") as a comprehensive process and mentions the three central strategic target indicators.
3.1.1 Focus area: Green Finance – SDG 13

Our projects in the "Green Finance" focus area mainly contribute to SDG 13 (Climate action). The renewable energy projects assigned to SDG 13 also contribute to SDG 7 Affordable and clean energy.

OeEB wishes to support its partners in developing countries as part of their transition to green, low-carbon and climate-resilient business models. This will help them achieve green economic growth - decoupled from the generation of climate-damaging greenhouse gases and other environmentally relevant externalities.

The following topics are bundled in this focus area:

i. Climate protection

Includes the following project types:

— Avoidance, reduction or capture of greenhouse gas emissions, such as facilities for the generation, transmission, capture/storage and distribution of renewable energy,

— Increasing energy efficiency,

— Expansion of clean or climate-neutral mobility,

— Production of clean and efficient fuels from renewable or CO₂-neutral sources,

— Strengthening carbon sinks, including the restoration of climate-friendly mixed forests, sustainable management and restoration of arable land and green spaces, (taking biodiversity into account), as well as the renaturalisation and conservation of wetlands.
OeEB adheres to the EDFI harmonised list for the exclusion of fossil fuel-related projects. We also rule out participation in upstream- and midstream projects in the natural gas sector, in line with the current energy sector strategies of most IFIs. Downstream activities in low- and middle-income countries are considered on a case-by-case basis and may be considered as transitional technology in exceptional cases. This is subject to the condition that they are aligned with national climate action plans and contributions (nationally determined contributions, or NDCs) as well as long-term climate and decarbonisation strategies.

We categorically rule out participation in projects which are associated with nuclear energy.

ii. Climate change adaptation

Includes projects that reduce the adverse effects of the current or expected future climate on humans, the environment or assets, as well as mitigating the physical risks of climate change.

The two topics mentioned above are also important pillars of OeEB’s efforts to make a significant contribution to the fight against climate change (see also the comments in the text box below).

iii. Sustainable use and protection of water and marine resources

Includes projects such as water supply and wastewater treatment plants, or water efficiency measures in industry or agriculture.

iv. Transition to a circular economy

This includes projects in the areas of waste avoidance, reuse and recycling of raw materials and waste, including the necessary infrastructure.

v. Prevention and reduction of environmental pollution

Includes projects relating to environmental technology systems or measures that lead to the avoidance or reduction of emissions (pollutants) in the air, water and soil or prevent adverse effects in the production or use of chemicals.

vi. Protection and restoration of biodiversity and ecosystems

This includes projects such as sustainable land use and management, sustainable agricultural practices, sustainable forestry, including appropriate protection of biodiversity.

OeEB will continue to develop its expertise to meet the increasing demand for financing in developing countries in areas such as energy efficiency or as part of adaptation- or sink projects.

Our strategic goal is to ensure that at least 50% of our investments (measured in terms of the volume of new business during the strategy cycle) are climate-eligible according to the OECD Rio Marker method.

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OeEB’s contribution to the fight against climate change

Within the framework of the strategic focus area “Green Finance”, OeEB intends to pursue its efforts in the fight against climate change with vigour. To this end, the Bank will not only set an ambitious strategic goal regarding climate-eligible investments (50% climate finance; see chapter Results Framework 5.2.2), but will also endeavour to align all of its financial flows at the project, portfolio and institutional level with the goals of the Paris Agreement (“Paris Alignment”). OeEB’s goal is to reduce the emissions financed across our entire portfolio to net zero by 2040, in line with Austria’s policy objectives. As we will face significant challenges in achieving this goal (because, according to scientific scenarios, developing countries need more time for this transition due to their capacities and technology level), we will evaluate the process with stakeholders at the end of this strategy cycle.

At project level, we will implement the goal of alignment with the Paris Agreement as soon as possible - but no later than the completion of the planned consultation with an external service provider on the topic of climate neutrality in 2024.

OeEB coordinates to work with the other European bilateral development banks on an ongoing basis but selects approaches that are specifically tailored to its own policy regarding the climate neutrality of its portfolio. The creation of a transition plan should enable us to define a suitable path towards climate neutrality (i.e. net zero emissions) and to entrench the topic of climate resilience within the institution (by identifying and managing climate risks).

Due to extensive analyses and the introduction of corresponding processes within the institution, OeEB will prepare a separate policy paper on Paris Alignment within six months of the start of the strategy period. This paper will - as far as methodologically possible by then - set out the cornerstones of the transition plan, define a long-term target and, if applicable, interim targets for achieving net zero. It will also outline an implementation strategy and define responsibilities for implementation, monitoring and periodic reviews.

Furthermore, the policy paper will include relevant comments on regulatory developments in the field of sustainable finance and related processes at EU level that may be relevant for European development banks.

To support the Paris Alignment process and to better record climate-relevant information at the client and project level, OeEB plans to collect data and indicators (such as the level of greenhouse gas emissions, the existence of a climate strategy or climate-relevant reporting) as part of the upcoming update of its development policy rating tool Development Effectiveness Rating Tool (DERa) - in close coordination with its licence partner DEG.

In addition to the CO2 emissions which have been avoided or saved with renewable energy projects, OeEB will also report the emissions financed by its investments at portfolio level in the future. To this end, OeEB plans to monitor the development of common calculation approaches and to gradually replace modelled data (e.g. from the Joint Impact Model) with customer data in order to increase the accuracy of the data over time.

As a further cornerstone of its efforts in the area of climate protection, OeEB also explicitly states its position on the phasing-out of fossil fuel financing - in line with the agreements concluded at EDFI level (see also EDFI Climate and Energy Statement). Accordingly, OeEB will exclude any new financing of oil and coal, exploration and production of natural gas - directly or indirectly via funds or financial intermediaries - and limit further fossil fuel-based projects to those that are in line with the Paris Agreement and exclude them by 2030 at the latest. If necessary, OeEB will include additional, progressive restrictions which result from the ParisAlignment process in the policy paper mentioned above.
3.1.2 Focus area: MSME/financial inclusion - SDG 8, SDG 10

Our projects in the area “MSME / Financial Inclusion” contribute directly to SDG 8 Decent work and economic growth and SDG 10 Reducing inequality in and among countries.

Of the approximately 2 billion people who still do not have adequate access to financial services, 1.1 billion are women. In sub-Saharan Africa, up to 80% of the population has no access to formal financial services as these countries have no (or insufficiently functioning) local financial and capital markets.

According to the World Bank, SMEs are the economic engine of almost every country. SMEs represent around 95% of all registered companies worldwide, are responsible for around 50% of all jobs and make up more than 35% of the gross domestic product of many developing and emerging countries. Small businesses help to diversify a country's economic base and offer a good opportunity to integrate women and young people into the country's economy.

Nevertheless, SMEs are still not sufficiently serviced by financial institutions. Overall, the World Bank estimates that formal SMEs face a financing gap of around USD 1 trillion. OeEB will therefore continue to prioritise the provision of financing for MSMEs (micro-, small- and medium-sized enterprises) in the coming strategy cycle.

The financial inclusion of those who do not yet have access to formal financial services is a particular concern of ours. We will therefore remain active in the field of microloans, as this is the instrument that allows us to reach the poorest sections of the population most directly. This is in line with the targets formulated in SDG 1 No poverty: "All men and women, in particular the poor and vulnerable, should have equal rights to economic resources and access to basic services such as financial services, including microfinance".

As it is not practical to work directly with small- and medium-sized enterprises in developing countries using the instruments available to us due to the high transaction costs, we rely on the financial sector as an intermediary or on investments in relevant funds specialising in MSME financing. This not only enables us to reach a large number of micro-, small- and medium-sized enterprises, but also makes an important contribution to strengthening the local financial sector.

In the microfinance sector, we pay particular attention to the responsible treatment of clients, such as transparency and client protection based on the internationally recognised “Client Protection Standards” and corresponding client protection certifications. These aim to ensure that microfinance complies with responsible and sustainable financing practices i.e. to prevent potential over-indebtedness of borrowers and ensure the respectful treatment of clients.

Within this focus area, suitable partners are provided with support in developing expertise by means of consulting services (technical assistance). Here, our main concerns include obtaining certifications, improving organisational structures and processes, introducing and expanding environmental and social management systems, corporate governance structures, human rights issues and the development of target group-specific

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7 See About Client Protection - Cerise+SPTF (cerise-sptf.org)
products. In cooperation with other development banks, OeEB also supports sector initiatives wherever possible, for example to further improve the microfinance sector of a country.

Regarding financial intermediation, we place special focus on the qualitative development of our existing customers. We support our customers in an advisory capacity over the entire project term and implement improvements from the "lessons learned" together with our customers on a project-related basis. In the case of follow-up financing for existing customers, evaluations can also be carried out on an ad hoc basis to make any necessary adjustments.

3.1.3 Focus area: Infrastructure and industry – SDG 9

Our projects in the focus area of infrastructure and industry make a direct contribution to SDG 9 Industry, innovation and infrastructure. Functioning and reliable infrastructure is essential for economic development. The IFC estimates that USD 1.5 trillion per year needs to be invested in developing countries to achieve the SDGs.

Due to the high demand, the increasing importance of the private sector in this focus area and the need to share the risks of larger projects among the development banks, we will prioritise this topic going forward. We will limit our activities to financing private, economic infrastructure (as opposed to public, social infrastructure such as public schools, hospitals, etc.). Specifically, we want to offer financing for the following types of infrastructure:

— Sustainable transport infrastructure
— Information and communication infrastructure
— Critical infrastructure, especially as regards the reconstruction of Ukraine in conjunction with DFIs such as EBRD or IFC.

When engaging in infrastructure-financing projects, we pay particular attention to sustainability, quality, climate protection and sustainable planning across the entire project life cycle.

Furthermore, we will support industrial, private companies in making the investments which are necessary to tap into their market potential and thus create added developmental value such as jobs and local income. In doing so, we will focus on supporting companies which invest in environmentally friendly, forward-looking technologies and thus contribute to a green transition.

In cooperation with the Austrian Economic Chamber, OeEB endeavours to involve suitable Austrian companies in the respective projects. Such involvements increase the business activities of Austrian companies abroad and places Austrian know-how (e.g. from suppliers and consulting service providers) on international markets.

3.1.4 Focus area: Gender – SDG 5

Our projects in this focus area make a direct contribution to SDG 5 Gender equality. This field is also being continuously developed in terms of mainstreaming as part of the OeEB Gender Action Plan. In the current strategy cycle, projects have been classified according to the OECD Gender Markers. Also, the Development
Effectiveness Rating Tool (DERa) for evaluating the gender relevance of projects has been adapted to include gender scoring based on the 2 X Challenge indicators.

The 2X Challenge is a flagship initiative of 2X Global (a new brand of 2X Challenge since 2023), which was first launched at the 2017 G7 summit as a joint commitment of development finance institutions: OeEB has been a member since 2021. In addition, an internal gender website provides employees with ongoing gender-relevant information such as case studies, background information on classifications and suchlike. A study on the topic of *Gender Lens Investing - Theory of Change* was also used to build up knowledge that then flows into operational project implementation.

In addition to demand-based gender projects, the 2024-2028 strategy cycle aims to implement so-called *gender lighthouse projects*, which are characterised by a proactive approach. The following approaches will be considered when implementing them:

i. **The development policy approach**, i.e. developing and implementing measures using OeEB instruments (including technical assistance) to close gaps which have been analysed in order to generate the highest possible impact with a review of the effects achieved and possible scalability,

ii. **The customer-centric approach**, i.e. the further development of data collection for gender-relevant indicators,

iii. **The evaluation-based approach**, i.e. the evaluation of selected gender projects concerning the sustainability of the measures and their possible replicability, as well as the development and publication of selected case studies, and

iv. **The funding-based approach**, i.e. the proactive implementation of projects that include obvious gender aspects.

### 3.1.5 Other topics

We have limited scope to support investments that go beyond the strategic focus areas if they have a high added value in terms of development policy or serve significant Austrian foreign trade interests in developing countries. This will enable OeEB to react flexibly to new business opportunities over the next five years and to support innovative initiatives which go beyond our focus areas.

In exceptional cases, OeEB may also pursue projects in the **public sector** *(max. 5% of new business on average over the five-year strategy cycle)*, provided that these public projects act as *enablers* for the private sector and a possible link to OeEB financing can be established at least in the medium term.

One example of this is the lack of development of public electricity grids and electricity storage capacities, which are often a prerequisite for the expansion of privately-operated renewable energy projects. In the past, this has repeatedly proven to be an obstacle to private investment. Based on regular dialogue with **Oesterreichische Kontrollbank** (OeKB), we ensure that our *instruments* are used in addition to and as a complement to their instruments, including soft loan financing.
3.2 Geographical orientation

In general, we see ourselves as a thematically focused development bank with a broad geographical approach. We can operate in all developing countries according to the OECD DAC list (OECD DAC list of ODA recipients). This enables us to react flexibly to changes in the target countries and the resulting bottlenecks in the private sector’s access to financing. OeEB has not established a fixed list of priority countries and regions.

Overall, from a risk perspective, our aim is to achieve a broad, geographically balanced diversification of our committed overall portfolio to avoid regional cluster risks. Based on our development policy mandate and the goal set out in SDG 10 and SDG 17 of promoting financial flows in countries where the need is greatest (particularly in the least developed countries), we have set ourselves two targets for 2028, measured as the average volume of new business over the next five years of the strategy cycle:

— We aim to conclude at least 20% of our new business in the least developed countries (LDCs);
— We aim to conclude at least 25% of our new business in Africa. In this context, “Africa” refers to the entire African continent, with a particular focus on sub-Saharan Africa and the countries categorised as LDCs.

OeEB will continue to implement a large portion of its projects in the Lower & Upper Middle Income Countries (LMICs and UMICs) according to the OECD DAC list. In these countries, the private sector is better able to absorb OeEB’s market-oriented financing due to the better framework conditions, and this also helps us to balance country risks. In LMICs and UMICs there is also greater potential for mobilising private investment and involving Austrian companies. This means that OeEB can act as a door opener for the Austrian economy in these countries.

In the UMICs with a relatively high per capita income, which are on the verge of graduating to HICs (High Income Countries) and will therefore be removed from the OECD DAC list in the foreseeable future, OeEB will focus on projects in the following three areas in the interests of differentiated access:

— Financing of global goods (e.g. climate financing)
— Projects that specifically target poorer and disadvantaged population groups
— Projects related to foreign trade.
4. OeEB’s financing instruments and cooperation with other actors

4.1 OeEB’s financing instruments

We will continue to rely on four tried-and-tested instruments for our activities:

— Investment financing (mainly loans),
— Equity investments (held in trust for the federal government or using OeEB’s own funds in combination with a federal guarantee),
— African-Austrian SME Investment Facility, AAIF+ (mainly mezzanine capital),
— Business Advisory Services (technical assistance resources).

Over the past fifteen years, OeEB has built up a portfolio of around EUR 1.6 billion. The majority of this (EUR 1.48 billion) is attributable to investment finance.

The instrument of equity investments has been available to OeEB since 2012. In the 10-year period until 2022, we have built up an equity investment portfolio of around EUR 140 million.

OeEB intends to continue its moderate growth trajectory over the next five years and aims to increase the volume of new business over the strategy cycle.

4.1.1 Investment financing

OeEB primarily extends long-term loans to private financial intermediaries, private companies and project companies/SPVs (special purpose vehicles) for the purposes of project financing or public-private partnerships (PPPs).

In addition to long-term loans, our product range also includes risk participations, subordinated loans, debt funds, specific public-private partnership funds, the subscription of bonds and EU guarantee products under the European Fund for Sustainable Development + (EFSD+).

Interest is paid at market conditions (without interest subsidies), which are based on the country and project risk, and can be variable (indicator-based) or fixed.

The loans are granted in EUR or USD. When evaluating projects, we ensure that foreign currency risks are also avoided for any ultimate borrowers. Depending on the risk profile of the transaction, the structure and collateral are customised for each individual case.

The investment financing business is hedged against political and economic risks with federal guarantees from the Federal Ministry of Finance. The aim is to achieve a balance between smaller and larger projects.
— By using cash flow-based project financing, we provide our clients with customised financing solutions with matching maturities. Project financing is primarily used for “greenfield projects” and is therefore often used in green finance (e.g. renewable energy projects, private water and wastewater treatment plants and waste/recycling plants), as well as in the implementation of infrastructure projects (e.g. telecommunications infrastructure).

— Structured corporate financing with a long-term character (“on balance sheet”) is used to finance capital-intensive investment projects. Special focus is placed on green finance projects, such as the financing of investment measures in private industrial companies to implement energy efficiency and/or resource efficiency measures, environmental systems, expansion investments in the renewable energy sector such as solar roof systems, the implementation of electromobility, etc.).

— We reach micro- and small enterprises in developing countries via local financial intermediaries (banks, microfinance institutions), which receive no or only short-term refinancing, even from commercial players. We grant long-term loans to local banks and other (micro) financial intermediaries, preferably with a tied loan purpose. This means that our funds may only be disbursed as loans which have a purpose specified by us. Projects are implemented in the area of green finance (such as the expansion of renewable energy projects, energy efficiency and/or resource efficiency measures) or projects concerning gender equality (e.g. the financing of small loans to women for income-enhancing or income-generating activities in predominantly rural areas). We also pay particular attention to flanking measures for the protection of micro-borrowers.

4.1.2 Equity participations

Since 2012, OeEB has also offered equity investments. To date, the equity investments held in trust for the Republic have been financed exclusively from federal funds. Subject to available income, we plan to continue investing in equity investment projects using OeEB’s own funds, combined with a guarantee from the Federal Ministry of Finance. Depending on the availability of budget funds, OeEB aims to expend its equity investment portfolio for the coming strategic period from 2024 to 2028.

Equity investments are particularly relevant in terms of development policy for several reasons:

— Due to their role as shareholders, equity providers are usually very close to the operating business and have sufficient control options to ensure that ESG standards are improved and international standards are complied with;

— Due to this influence, equity owners can also ensure that added value is generated and that development policy goals, such as job creation or gender equality, are pursued;

— Equity investments play a catalytic role in the mobilisation of private capital, both in terms of equity and for leveraging debt capital;

— Equity is the key resource for financing innovation and is therefore important for structural change, growth and prosperity in the target regions;

— Both the strategic objectives and development policy goals of OeEB can be achieved particularly well through equity investments; and

— It is easy to establish links to Austria in investment projects.
As mentioned, equity investment makes a significant contribution to mobilising private capital. The first private equity impact fund for developing countries was launched in Austria together with Bank Gutmann. In addition to making a financial return, the central objective of this fund of funds is to improve the living conditions of people in developing countries. The final closing of the Gutmann OeEB Impact Fund was realised at the end of March 2022 with a mobilised volume of around EUR 72 million from 48 private and institutional investors. In the current strategy period, we plan to set up a follow-up fund with Bank Gutmann with a focus on climate finance to mobilise additional private capital.

4.1.3 African-Austrian SME Investment Facility (AAIF+)

The African-Austrian SME Investment Facility was launched at the "High-Level Forum Africa-Europe" in December 2018 with the aim of supporting companies - primarily SMEs - from Austria or the European Union when setting up companies or developing projects in Africa which create local jobs and enable sustainable development. Since then, the facility has provided equity or mezzanine capital to several Austrian companies in the fields of renewable energy, agricultural processing and industrial production.

Due to the success of the instrument and the great interest shown by Austrian companies, the investment facility was extended by a further three years and its volume increased at the beginning of 2023. In addition to investments in Africa, projects can now also be supported to a certain extent in LDCs worldwide. With transaction volumes of up to EUR 3 million per project, the AAIF+ closes a financing gap between the Austrian Development Agency's business partnerships and OeEB's larger equity and financing projects.

If necessary, OeEB can provide additional technical assistance funds to accompany projects, for example to build expertise and capacity in the areas of environmental and social risk management, as well as technical, legal and business management issues, and to minimise risks.

4.1.4 Business Advisory Services

In addition to our financing instruments (investment financing, equity investments, AAIF+), OeEB also disburses technical assistance funds in the form of grants via Business Advisory Services as part of implementing its mandate. Technical assistance funds come from OeEB’s own funds in the amount of at least 10% of annual profits. They are used to identify new projects as part of a programmatic approach and to make projects that have already been identified bankable in preparation for implementation.

Projects financed by OeEB are also supported on a case-by-case basis, i.e. to enhance their development effects.

The use of funds is geared towards OeEB's strategic focus areas. Technical assistance projects cover:

- MSMEs / Financial inclusion
- Environmental and social management
- Climate protection
- Gender
- Human rights.

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6 Subject to approval by the Annual General Meeting.
OeEB’s experience, as well as that of other development banks, has shown that it is difficult to identify specific projects that can then be implemented by means of technical assistance projects (e.g. through studies). We will therefore continue to work on innovative approaches but will utilise the lion’s share of our technical assistance (TA) funds for project preparation and project support measures.

The main aim of project preparation measures is to make an identified project bankable. However, TA funds can also be used to strengthen the client’s development impact or to support compliance with international ESG standards. Such measures may include the implementation of action plans in the environmental and social area to mitigate project risks and bring in external expertise.

We use TA funds to support projects by enhancing our customers’ capacities and expertise. By supporting the roll-out of new products, for example, we ensure the sustainability of our financing, but also increase the developmental added value in terms of additionality. Examples of this include measures to promote women or to establish environmental management systems in companies. Project support measures can also go beyond the level of an individual project partner and anchor new standards in a specific sector as part of a sector initiative, thus achieving a broader impact, for example in the area of responsible finance in microfinance.

In addition to using our own funds for TA projects, we also aim to mobilise further funds from the EU or other donors, particularly for climate-eligible activities, and use them in accordance with the strategic guidelines (see also the following section).

Finally, we will prepare a separate policy note on the strategic use of TA funds within six months of the start of the strategy cycle and discuss this with our stakeholders.

### 4.2 Cooperation with other actors

OeEB endeavours to cooperate constructively with the relevant institutions at national, European and international level and to expand relations in line with its strategic focus areas.

#### i. Cooperation at national level

As an actor in Austrian development cooperation, OeEB is in constant dialogue with other development cooperation partners. The most important of these are the Federal Ministry of Finance (BMF) and the Federal Ministry for European and International Affairs (BMEIA). Representatives from the BMF, BMEIA, ADA, Chamber of Commerce, Federal Chancellery, Chamber of Labour and other federal ministries are represented in the external advisory and approval bodies (Coordination Meeting, Committee and Advisory Board).

As part of its cooperation with the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), OeEB participates in the Working Group on International Climate Finance (AGIK), contributes its knowledge to the ongoing discussions and stays up to date with relevant developments in the international climate negotiations on climate finance, Paris Alignment, etc. OeEB is also in dialogue with BMK regarding cooperation on individual climate issues and investments in developing countries. Since 2022, OeEB has also been a member of the extended stakeholder group of BMK’s Green Finance Alliance.
OeEB cooperates with the Austrian Development Agency (ADA), including within the framework of the business partnerships and the African-Austrian SME Investment Facility+ (AAIF+). Synergies between the two instruments are utilised wherever possible. ADA and OeEB also work together when organising stakeholder business trips.

To mobilise private capital, OeEB maintains a cooperation with Bank Gutmann (see above), which is to be further expanded to cover climate protection funds. Furthermore, OeEB plans to mobilise technical assistance funds from the EU and the BMK, i.e. to implement climate-eligible activities.

Finally, OeEB maintains dialogue on various development policy issues with civil society organisations, such as the umbrella organisation of Austrian development non-governmental organisations, the Working Group for Global Responsibility (AGGV), the Vienna Institute for International Dialogue and Cooperation (VIDC), the Coordination Office of the Austrian Bishops’ Conference (KOO) and the Austrian Foundation for Development Research (ÖFSE).

ii. Cooperation at European level

OeEB is the youngest of the European development banks that work together within the Association of European Development Finance Institutions (EDFIs) and has already advanced to become the sixth largest EDFI in terms of portfolio size since it was founded in 2008.9

In addition to its broad geographical mandate, which allows for appropriate risk diversification, we see OeEB’s comparative strengths in the specific expertise that we have built up in developing countries in the strategic focus areas. For example, OeEB has acquired a very high level of expertise in green finance when it comes to the independent structuring of complex climate-eligible "greenfield" projects. In addition to specific financial know-how on how to set up projects in developing countries, this expertise also covers comprehensive advisory services relating to the implementation of international standards and strengthening the developmental impact of our clients.

The close cooperation with these partners and the establishment of strategic alliances contribute to the more efficient implementation of our mandate. In May 2021, OeEB also acquired a stake in the EDFI Management Company (EDFI MC), the financial arm of the EDFI Association. This was founded in 2016 and manages relevant co-financing and blending facilities on behalf of its members.

With the successful completion of the so-called EU-9-Pillar certification in January 2023, OeEB is authorised to draw on EU funds under the European Fund for Sustainable Development+ (EFSD+). EFSD+ is part of the Neighbourhood, Development and International Cooperation Instrument (NDICI), or Global Europe for short, which bundles various EU financial instruments to support developing countries in achieving the SDGs and the goals of the Paris Agreement.

EFSD+ also offers European bilateral development banks the opportunity to apply for EU risk mitigation guarantees or so-called blending funds, i.e. non-repayable support for technical assistance, investment grants and interest rate subsidies as part of a selection process. For OeEB, the utilisation of these instruments offers the possibility of medium-term diversification in terms of securing and providing funds, as well as the

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9 See EDFI | European Development Finance Institutions
10 See EDFI Management Company | EDFI
opportunity from a strategic perspective to act in line with its thematic priorities and to contribute to its objectives in Africa and LDCs.

In order to gain access to EFSD+ guarantee facilities, OeEB leveraged the synergies under its participation in EDFI MC, which was awarded the contract by the European Commission at the beginning of 2023 to handle several EU guarantee programmes. The first of these is the EDFI MSME Platform, which provides EU guarantees to cover transactions of EDFIs with financial intermediaries for the financial inclusion of micro-, small- and medium-sized enterprises (MSMEs). OeEB is willing to test the benefits of this facility and, after gaining positive experience, to expand its activities to other facilities that are in line with its strategic orientation.

OeEB will also analyse whether and under what conditions it makes sense to use blending funds for investments and will take appropriate steps after weighing up the advantages and disadvantages.

iii. Cooperation at international level

OeEB cooperates with international financial institutions (IFIs) such as the International Finance Corporation (IFC), the private sector arm of the World Bank, as well as with regional multilateral development banks (MDBs) and with the institutions subsumed under Team Europe, such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).

Joint efforts by multilateral and national development finance institutions are extremely important at the current time, especially as regards the strategically coordinated reconstruction work which will be needed in Ukraine.

We also use cooperations to finance larger, private investment projects, which OeEB is unable to take on alone. To provide the high financing requirements necessary for such projects (i.e. infrastructure projects) several development banks often act under the leadership of a single multilateral IFI, and sometimes also in association with commercial banks.

OeEB has a particularly good relationship with the World Bank subsidiary IFC. Beneficial synergies arise due to the location of IFC's Eastern European headquarters in Vienna. However, joint projects are also financed with other IFIs with different geographical orientations.

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11 See EDFI MSME platform | EDFI
5. Compliance with international standards and reporting development effects

5.1 Compliance with international standards

Adherence to high international environmental and social standards and a sensitive approach to human rights are key issues for us.

5.1.1 International environmental, social and human rights standards

The protection of the environment and resources as well as the social compatibility of our projects are core principles underlying our work which aim to fundamentally and permanently improve the living conditions of people in developing countries. In addition to the local environmental and social regulations of each country, we ensure that our financing projects comply with international environmental, social and human rights standards.

In doing so, we are guided by the EDFI Principles for Responsible Finance, which are linked to the following standards, norms and principles:

— the IFC Performance Standards on Environmental and Social Sustainability,
— the "Environmental, Health and Safety Guidelines" of the World Bank Group,
— the UN Guiding Principles on Business and Human Rights, and
— the core labour standards of the International Labor Organization (ILO).

Based on these common principles, the EDFIs have also established a common, harmonised exclusion list of various sectors (including nuclear energy), which is part of the framework for our activities.\(^\text{12}\)

Our projects can strengthen human rights, e.g. the right to work, health and a decent standard of living. However, private sector activities also carry the risk of adverse effects due to poor working conditions, discrimination or harmful emissions; not only in the private company or project itself, but also in the supply chain. It is important to observe the core principles of a human rights approach, such as the participation and involvement of stakeholders, equal rights and non-discrimination, as well as transparency and responsibility.

The application of these standards therefore enables us to ensure that our projects fulfil minimum human and social rights requirements – i.e. in connection with the use of resources, land use rights, resettlement measures, influence on cultural assets, the status of indigenous population groups and the involvement of those affected. If these requirements cannot be met as part of the project, OeEB must reject it.

We therefore only take on projects where we are convinced that our project partners support these standards. Based on this, we are committed to the continuous development of our processes to take environmental, social and human rights aspects into account.

5.1.2 Best practice approach in dealing with offshore financial centres

With regard to tax havens and offshore financial centres (OFCs), it is important for us to avoid any association with harmful practices such as tax evasion and money laundering. In close cooperation with our stakeholders and the partners of the European Development Finance Institutions (EDFI), we keep abreast of international developments in this area. In particular, we are in continuous consultation with our stakeholders on the question of whether certain jurisdictions are acceptable as the domicile of investment vehicles and work in accordance with the recommendations and guidelines of international organisations in this area (OECD, FATF, EU).

In accordance with OeEB’s Position on Tax Good Governance, Anti-Money Laundering and Combating the Financing of Terrorism of October 2020\textsuperscript{13}, we also comply with the EU list of non-cooperative jurisdictions for tax purposes in our project reviews. Such non-cooperative jurisdictions may not be used as jurisdictions to base funds for OeEB investments. We believe that this approach strikes an appropriate balance between our determination not to support harmful practices and our efforts to act as a catalyst for financing in challenging markets.

As a credit institution, OeEB is subject to strict legal and European requirements on money laundering prevention. If a country is included in the EU High-Risk Regulation and/or the two Public Documents on High-risk and other monitored jurisdictions ("grey list" and "black list") of the Financial Action Task Force (FATF), OeEB responds appropriately, i.e. by applying enhanced due diligence measures in accordance with the Financial Markets Anti-Money Laundering Act\textsuperscript{14} as amended. Projects in high-risk jurisdictions subject to a FATF call for action are generally cancelled by OeEB at the project appraisal stage.

As a member of the European Development Finance Institutions (EDFI) group, we are guided by the EDFI Principles for Responsible Tax in Developing Countries\textsuperscript{15}.

5.2 Reporting development effects

As a development bank, we are required to measure the impact of our work and make efforts to achieve and strengthen positive development effects. We therefore use tools to measure the impact of our activities and report the results on an annual basis in accordance with an underlying framework, the Results Framework. The results are communicated in our Impact Report.

OeEB also signed the Operating Principles for Impact Management (OPIM) issued by IFC in 2019 and reports on them annually. This also refers to evidence that impact measurement and management is fully integrated into OeEB’s business processes and investment cycle.

\textsuperscript{13} Available on the OeEB website under "Environmental, social and tax standards" (link)
\textsuperscript{14} See: https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20009769
We also carry out targeted evaluations to increase the positive impact of our work, document our experience through internal knowledge management and utilise it in future projects by means of active knowledge-sharing.

5.2.1 Impact measurement and management: the Development Effectiveness Rating Tool

OeEB uses the Development Effectiveness Rating (DERa) tool to measure the impact of its projects. DERa also provides the development policy indicators for OeEB's Results Framework.

DERa is based on the Theory of Change. This is a theoretical framework which maps causal links between the activities of an OeEB client (input), its results (output) and one or more of the targeted development outcomes and effects (impact). DERa refers exclusively to development effects and divides these into five categories:

1) Good, fair employment
2) Local income
3) Development of markets and sectors
4) Environmental stewardship
5) Benefits for local communities

The relevant fields in DERa are filled out before project approval with a baseline value and a five-year target. It is then reviewed annually. This is based on data from the customer, which is collected by OeEB.

An overall score is calculated for the rating, in which (currently) a total of 150 points can be awarded. The score is then categorised into five qualitative categories ranging from “Excellent“ to “Poor“. The first three categories are weighted as central effects of the private sector projects with (currently) 75% of the possible points, the last two categories are based on the sustainable implementation of these projects and account for 25% of the score.

The external evaluation of OeEB in 2022 recommended the continued use of this impact measurement tool and, where possible, an adjustment to the Bank's strategic orientation.

At the time this strategy document was prepared, DEG was working with OeEB to update DERa to refine the tool for certain key topics such as green finance (climate protection) and gender. This also aligns with OeEB's strategic orientation.

A revision of the point scale is also being considered, as well as an additional component to take account of the transformation of customers in terms of increasing development effects through support from the bank. In any case, OeEB plans to use the tool from 2025 once it has been finalised and a test phase has been completed.
5.2.2 Results Framework 2024 to 2028

In the 2024 to 2028 strategy cycle, OeEB will select its projects based on the following three strategic target indicators:

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Target value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate financing</td>
<td>% of new business as the average volume of transactions over the next 5 years which are eligible according to OECD Rio Marker</td>
<td>≥ 50 %</td>
</tr>
<tr>
<td>Expanding engagement in the poorest countries (LDCs)</td>
<td>% of new business as the average volume of transactions over the next 5 years.</td>
<td>≥ 20 %</td>
</tr>
<tr>
<td>Expanding our engagement in Africa</td>
<td>% of new business as the average volume of transactions over the next 5 years.</td>
<td>≥ 25 %</td>
</tr>
</tbody>
</table>

In addition, we are guided by the following sub-targets as part of the operational management of our business:

<table>
<thead>
<tr>
<th>Balanced ratio of real sector to financial sector</th>
<th>Ratio of real to financial sector measured by the average volume of new business over the next 5 years.</th>
<th>balanced ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector focus</td>
<td>% of new business in the public sector on average over the next 5 years.</td>
<td>≤ 5 %</td>
</tr>
<tr>
<td>Transactions in LDCs</td>
<td>% of new business as the average number of transactions over the next 5 years</td>
<td>≥ 25 %</td>
</tr>
<tr>
<td>Development policy effects</td>
<td>Average DERa score in the portfolio</td>
<td>≥ 78 points(^{16})</td>
</tr>
</tbody>
</table>

With regard to the sub-target “Transactions in LDCs”, OeEB will regularly report to the decision-making bodies on the current number of transactions constituting new business in LDCs with a materiality of at least 20% and endeavor to maintain this number at min. 25% on average over the period.

We will discuss the strategic target indicators together with our stakeholders in an interim evaluation in the middle of the strategy cycle with a view to making adjustments in terms of achievability or ambition and, if necessary, take appropriate steps.

\(^{16}\) The scoring will be adjusted as part of the planned DERa update.
Presentation of development effects

OeEB reports the development effects of its customers at portfolio level annually. The results are published in its Impact Report. The following provides an example of the effects achieved as at the end of 2022.

When reporting development effects, OeEB also intends to identify and show the share of its financing contribution towards priority parameters. This will be done gradually and after methodological analysis as part of switching to digital data collection and evaluation in the current strategy cycle.

5.2.3 Evaluations

Evaluations are anchored within the Bank as part of an evaluation policy. The purpose of OeEB’s evaluations is both to provide accountability to stakeholders and to continuously improve the effectiveness of future projects in the spirit of a “learning organisation”.

To standardise guidelines for evaluations, all Austrian actors (OeEB, BMEIA, ADA, BMF and BMK) have developed a joint policy based on the OECD DAC criteria (relevance, efficiency, effectiveness, impact and sustainability) and a guideline for evaluability studies, which also apply to OeEB. OeEB uses all forms of evaluation: (mid-term) reviews, external, internal and self-evaluations. Evaluations can be used for individual projects, but also for strategic topics.
The Development Effectiveness Rating (DERa) tool enables a multidimensional measurement of the development effectiveness of investment financing and equity projects. Together with DEG, we commission an annual evaluation that takes a closer look at individual DERa indicators and their effectiveness. The impact indicators of the technical assistance projects completed by Business Advisory Services are recorded on a project-specific basis (management-by-results). This data is the starting point for evaluations.

We plan to carry out two evaluations per year. In principle, these will be put out to tender and implemented with external experts. In the spirit of a learning organisation, OeEB employees will generally accompany the consultants on the on-site visits. This ensures that no influence is exerted on the objectivity and independence of the evaluation.