



# World Bank & Co – Do we really need Development Banks?

Workshop, May 2015

WU (Vienna University of Economics and Business)



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## *How a Private Sector Development Bank Works*

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*The example of OeEB – the Development Bank of Austria*

# OeEB at a Glance

***OeEB's core mandate: Contribute to alleviating poverty and improving living conditions in developing and transition countries by working with the private sector***

- Founded in March 2008
- Mandated by the Austrian Government as the official Development Bank of Austria
- Wholly owned subsidiary of Austria's export credit agency OeKB
- Finances investments of private companies in developing and transition countries

### **Key figures 2014:**

|   |                 |
|---|-----------------|
| New commitments 2014<br>(Financing & Equity):     | ~ € 200 million |
| Committed Portfolio 2014<br>(Financing & Equity): | ~ € 807 million |

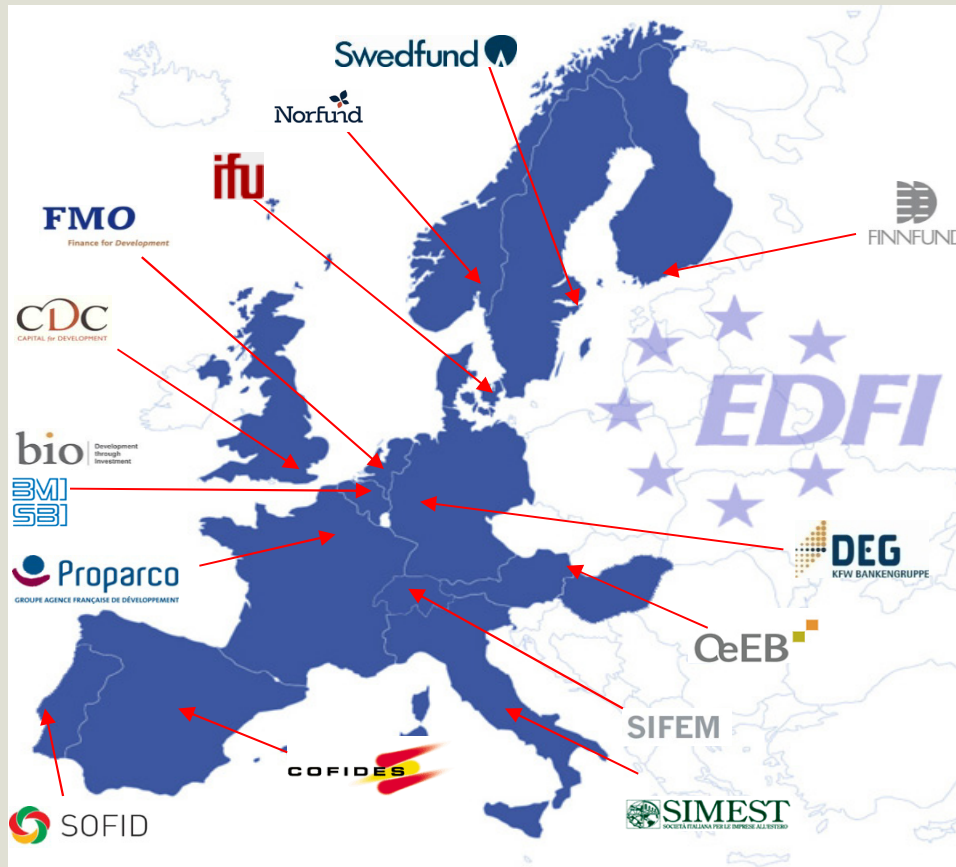
### **Balance sheet year 2014:**

|                                |               |
|--------------------------------|---------------|
| Total assets:                  | € 605 million |
| Operating profit for the year: | € 5.2 million |
| Profit for the year:           | € 4.3 million |
| Staff:                         | 35            |
| Standard & Poor's:             | AA+           |

## OeEB – A member of EDFI

- In 2014, EDFI invested EUR 33 billion in 4,000 projects
- OeEB is the eight largest development bank among the 15 EDFI-members
- ~60 % of current OeEB projects are financed together with other DFIs
- **Other DFIs:**
  - EBRD (European Bank for Reconstruction and Development ):  
Project Portfolio 2014: EUR 39 billion
  - IFC (International Finance Corporation):  
Project Portfolio 2014: USD 51 billion

# EDFI - members

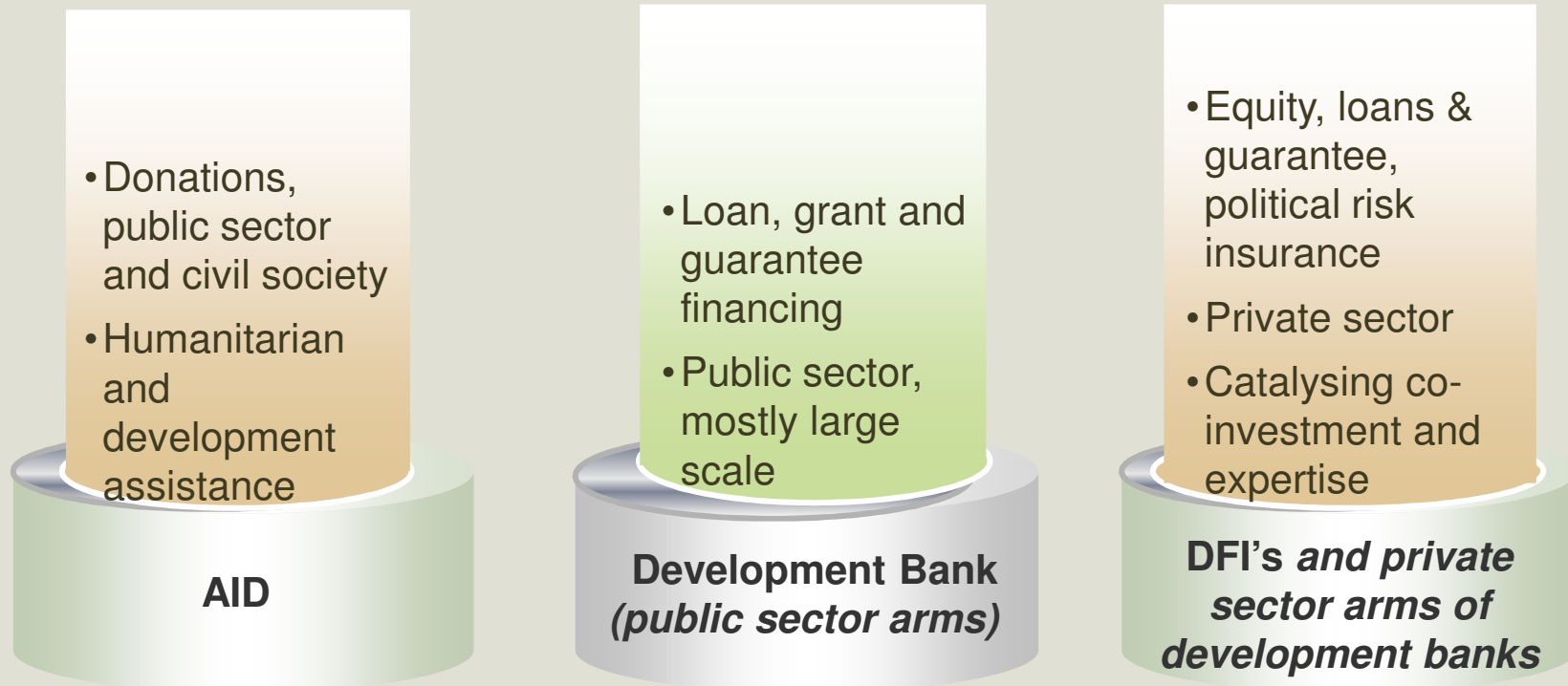


A network of 15 members across Europe

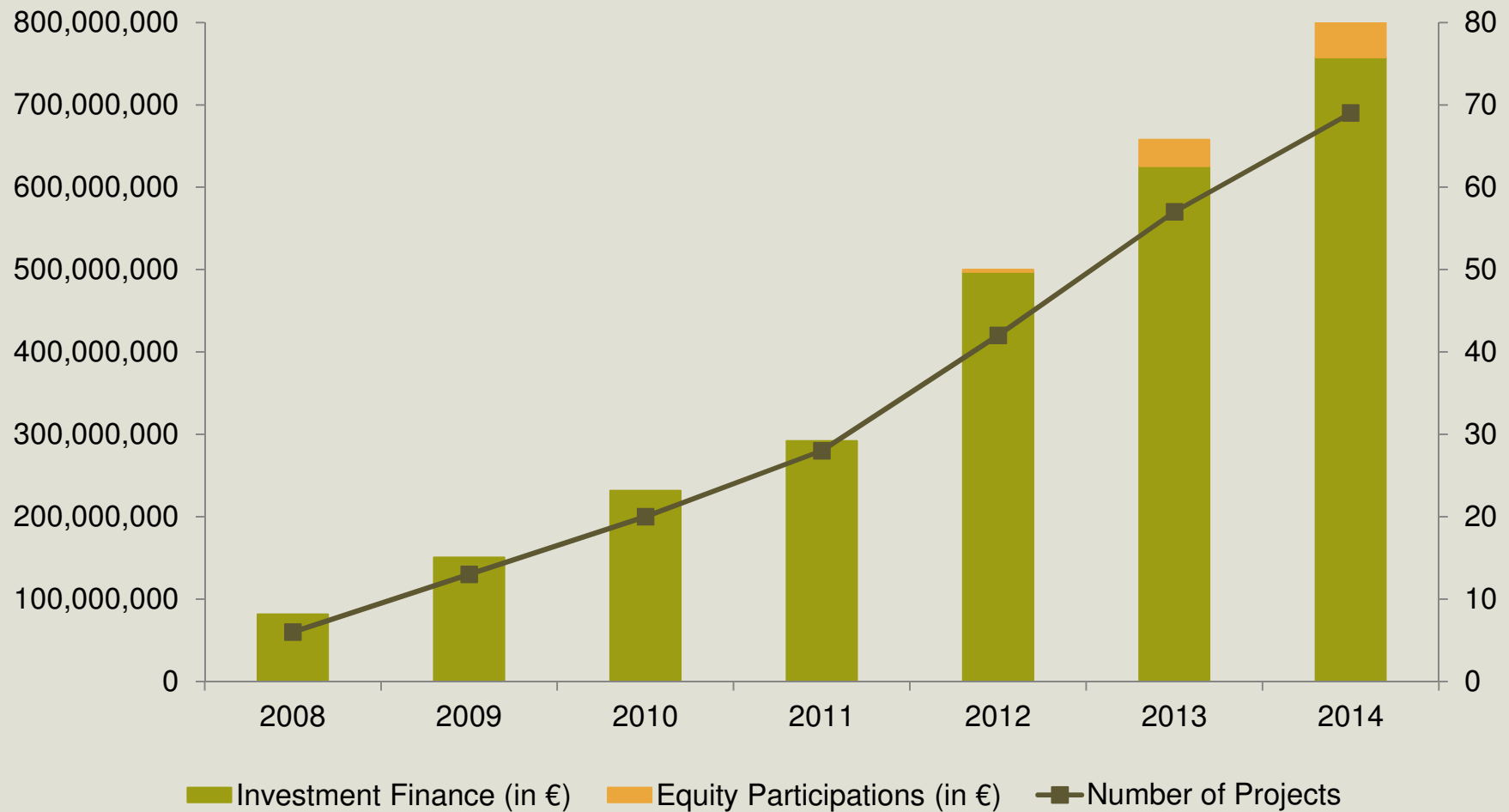
| Institution | Country     | Established |
|-------------|-------------|-------------|
| CDC         | UK          | 1948        |
| DEG         | Germany     | 1962        |
| IFU         | Denmark     | 1967        |
| FMO         | Netherlands | 1970        |
| SBI         | Belgium     | 1971        |
| PROPARCO    | France      | 1977        |
| SWEDFUND    | Sweden      | 1979        |
| FINNFUND    | Finland     | 1980        |
| COFIDES     | Spain       | 1990        |
| SIMEST      | Italy       | 1991        |
| NORFUND     | Norway      | 1997        |
| BIO         | Belgium     | 2001        |
| SIFEM       | Switzerland | 2005        |
| SOFID       | Portugal    | 2007        |
| OeEB        | Austria     | 2008        |

# The „third pillar“ in Development Cooperation

The EDFI members represent a “third pillar” alongside traditional aid instruments and development banks dedicated to the public sector

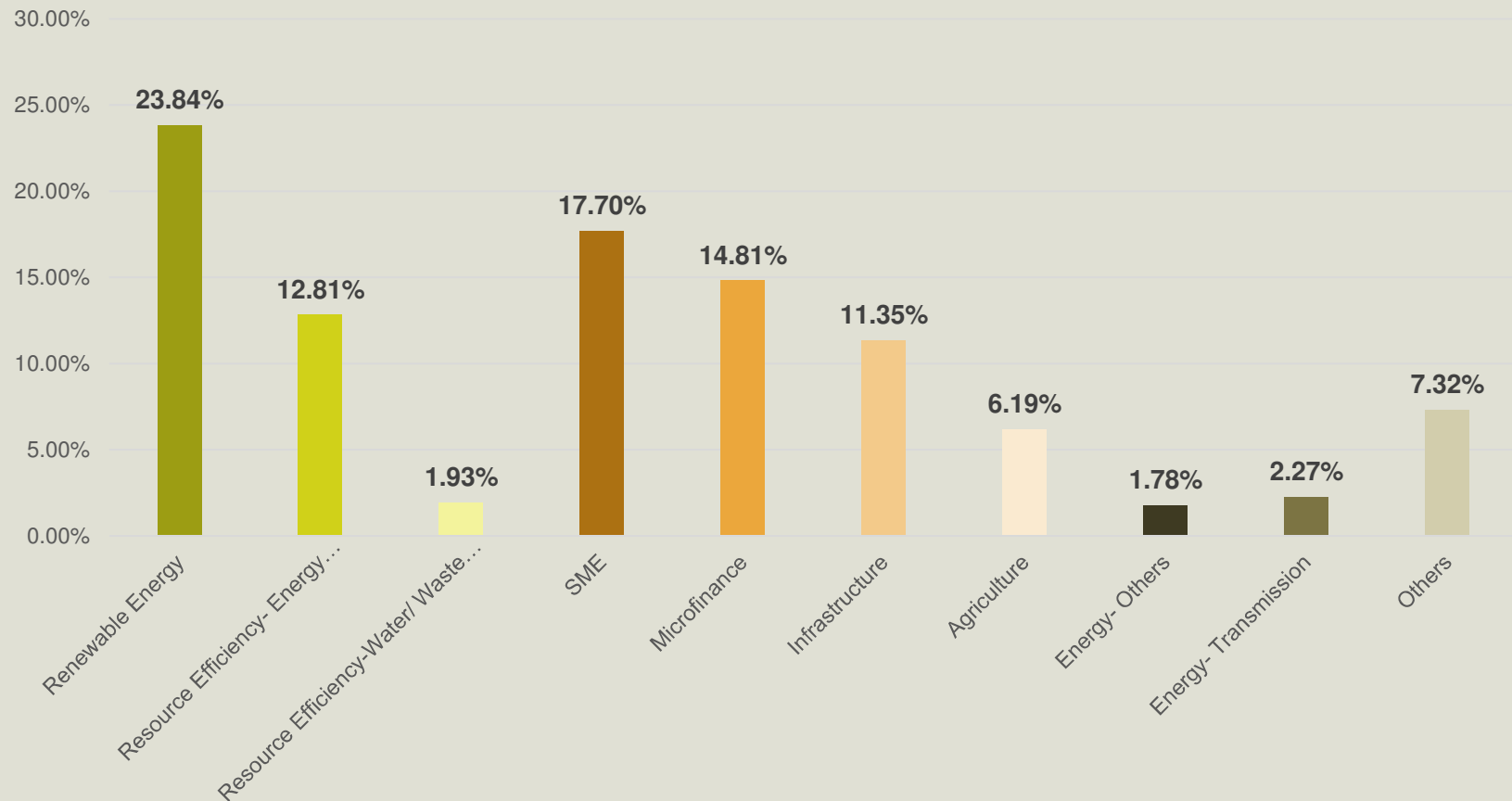


# Committed portfolio 2014



# Financing & Equity portfolio by sector

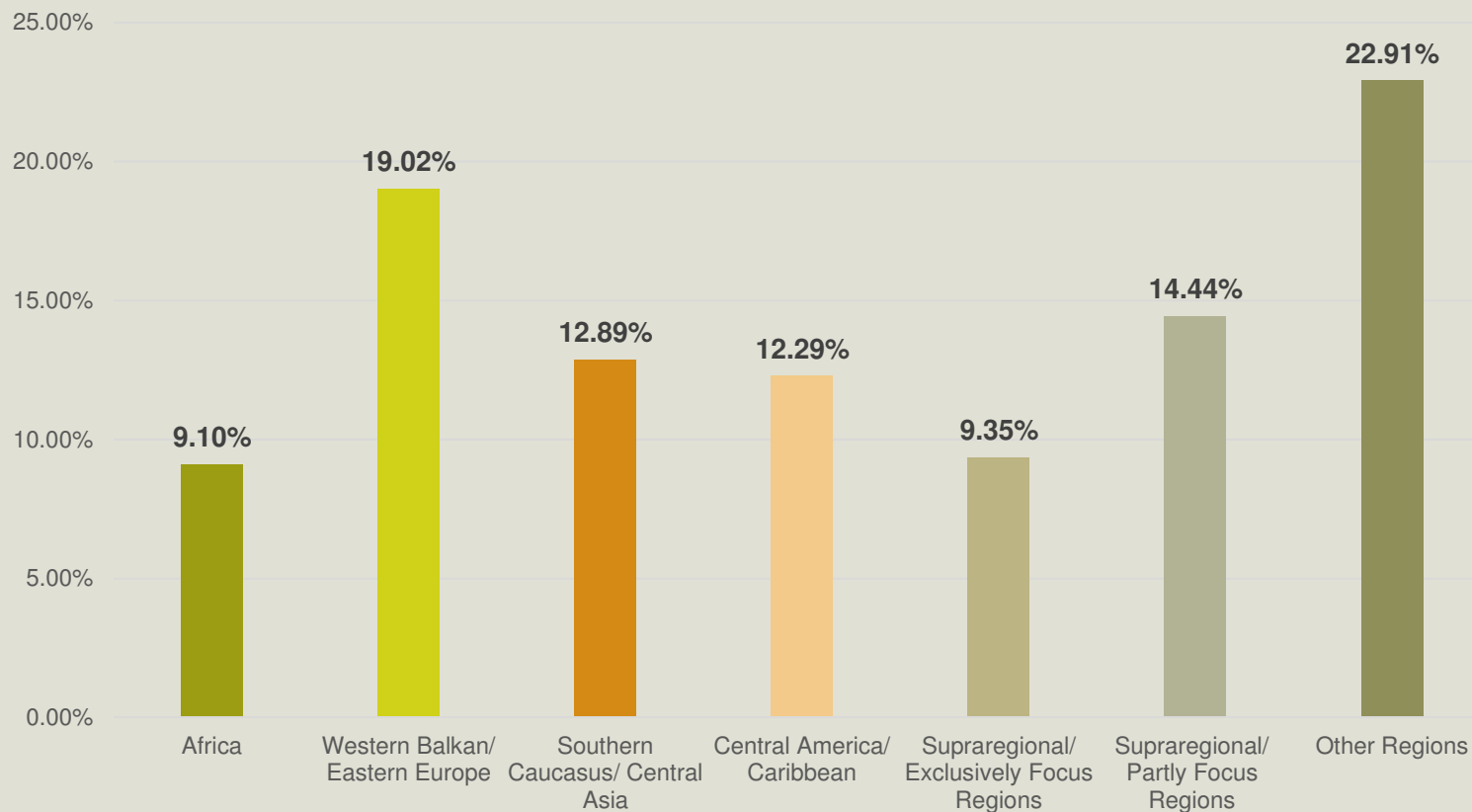
Preliminary figures as of December 31, 2014





# Financing & Equity portfolio by region

Preliminary figures as of December 31, 2014



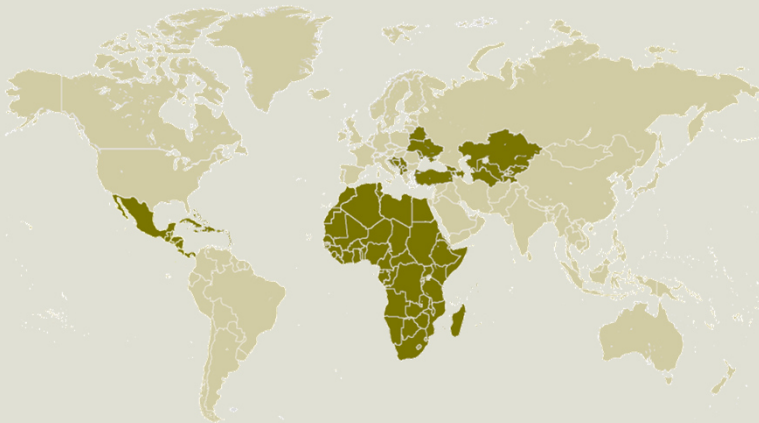
# OeEB focus areas/sectors

| Main objective: Contributing to poverty reduction by supporting private sector development |   |                  |                     |  |
|--|---|------------------|---------------------|--|
|  | MSMEs   | Renewable Energy | Resource Efficiency | Other topics:<br>(esp. Infrastructure, manufacturing, industry, services, agriculture) |
| Africa   | <b>Proactive acquisition</b><br><br><b>key competence</b> |                  |                     | Demand-oriented  |
| Southern<br>Caucasus /<br>Central Asia   |   |                  |                     |  |
| Southeastern /<br>Eastern Europe   |   |                  |                     |  |
| Central America<br>/ Caribbean   |   |                  |                     |  |
| Other regions:<br>South America<br>South Asia<br>Southeast Asia<br>Russia                  | Demand-oriented   |                  |                     | Demand-oriented with<br>higher selectivity   |
| Market development for and together with Austrian businesses                               |   |                  |                     |  |

# OeEB focus areas

## Focus regions:

- Africa
- Southern Caucasus/Central Asia
- Southeastern/Eastern Europe
- Central America/Carribbean



## Focus sectors:



Renewable Energy



Resource efficiency



Building up the economy through local micro-, small- and medium-sized companies

# OeEB - Project Requirements

A potential project has to

- be located in a **developing or transition country** (according to OECD DAC-list)
- be predominately in the **private sector** (PPP possible; public sector projects only in exceptional circumstances)
- be **commercially feasible** (profitable)
- Have (some) **additionality** (financial – no crowding out of commercial banks; non-financial)
- pass the **environmental & social due diligence** (“do no harm”)
- have the expectation of leading to positive **development effects** (“do good”) (e.g. creation of jobs, investments in renewable energy, climate protection or resource efficiency, investments in infrastructure, government income, knowledge transfer): ex-ante assessment & project monitoring

OeEB is not tied to Austrian investments and/or supplies and services but aims at developing markets for and together with Austrian companies.

# Development Effects

- Projects are assessed & rated ex ante using the GPR® tool developed by German DEG, inter alia in respect of expected development effects
- Projects are regularly monitored
- Portfolio-level: Results Framework (core indicators included in Development Report, published annually) – output/outcome indicators, e.g.:
  - Over 39,000 micro enterprises reached
  - Over 4,400 SMEs reached by OeEB
  - Over 200,000 jobs provided by banks and companies co-financed by OeEB
  - Training for over 5,000 people directly funded by OeEB

*Preliminary figures for 2014 on an accumulated basis.*

# OeEB - Instruments

## I. Investment Finance (IF)

- OeEB obtains project-specific guarantees covering commercial and political risk from Ministry of Finance (MOF), no public funding involved
- OeEB pays guarantee fee to MOF
- Refinancing is obtained primarily via OeKB

## II. Equity Participations (EP)

- Annual appropriations out of federal budget
- Amounts are invested as trustee on behalf of MOF
- Future reflows are available for re-investment: decreasing reliance on state funding (medium-term)

## III. Advisory Programmes (AP)

- Annual appropriations out of federal budget
- Grant financing for technical assistance measures, such as:
  - Studies, market research, technical expertise
  - Project-related training
  - Environmental and social measures

# Investment Finance

OeEB finances private sector investment projects in developing countries and emerging markets.

- **Currencies:** EUR or USD
- **Products:** senior loans, risk participations
- **Amounts:** generally up to EUR 25 million per transaction
- **Tenors:** up to 15 years incl. grace periods, if required
- **Collateral:** Adequate to the respective project
- **Conditions:**
  - Solid track-record of the sponsor
  - Interest and fees close to market rates (no interest subsidies)
  - Compliance with environmental and social standards

# Equity Participations

OeEB participates in private equity funds or directly in companies.

## **Conditions for equity participations in companies (incl. banks):**

- Minority shareholder, max. 25% share
- Investment volume: generally EUR 2-5 million
- Pre-defined exit strategy
- Preferably with involvement of an Austrian project party

## **Conditions for participation in funds:**

- Total Fund volume: Max. EUR 150 million
- Investment volume: Max. 10% of fund volume (up to 5 million)
- No “start-up financing”



# Advisory Programmes

- Grants (non-refundable) provided for project-related measures
- The aim is to enhance the developmental impact of projects
- AP measures can be used in all **project phases**:
  - Identifying, preparing and implementing projects
  - Project assessment and monitoring
- **Examples:**
  - Studies, Technical expertise
  - Training for local staff, management assistance
  - project related measures regarding environment or healthcare

# Selected Reference Projects

## HPP La Vegona

### Construction of a hydropower plant in the north of Honduras

Compañía Hondureña de Energía Removable S.A. (COHERSA)



### Development Issues

- Rising energy consumption
- High dependency on expensive fossil fuel imports
- Renewable energy is being promoted in order to replace inefficient, outdated power plants

### Project

- Construction of a hydropower plant with a capacity of 38.5 MW in the north of Honduras
- Annual power production of 183 GWh
- Advisory Programmes Funds were made available for connecting neighbouring villages to the electricity grid

### Financing

- Total investment: USD 98 million
- OeEB investment: USD 23 million
- Financing partners: IFC, FMO, local banks

# Selected Reference Projects

## Wind farm Penonome

OeEB finances the  
construction of the largest



### Development Issues

- More than half of Panama's electricity is generated from hydropower plants
- Frequent power outages and high dependence on energy imports, especially during the dry season

### Project

- Construction of the largest wind farm in Central America (215 MW, 448 GWh electricity/year) in the province of Coclé, 100 km south of Panama City
- Helps to secure the energy supply during the dry season and to reduce energy costs and CO2 emissions

### Financing

- Total investment: USD 190.6 million
- OeEB investment: USD 25 million
- Financing Partners: IFC

# Selected Reference Projects

## AccessBank Tajikistan

Credit line for MSME lending



### Development Issues

- Private sector consists primarily of micro-, small and medium-sized enterprises (MSME)
- Insufficient financing possibilities hamper their business activities and development

### Project

- OeEB signs credit line for AccessBank Tajikistan for on-lending to MSME
- MSMEs' access to finance is improved
- OeEB's credit line contributes to strengthening the private sector and to securing and creating jobs

### Financing

- OeEB investment: USD 5 million

# Selected Reference Projects

## SEAF Caucasus Growth Fund

Investment fund for small and medium enterprises (SME)



### Development Issues

- Insufficient access to capital hampers SME's ability to grow and to secure jobs

### Project

- OeEB invested in SEAF Caucasus Growth Fund – a private equity fund in the Southern Caucasus region investing exclusively in SMEs
- Contributes to creating and securing jobs and strengthening the private sector
- OeEB Advisory Programmes supply SEAF portfolio companies with capacity development measures in order to boost development of the SME sector

### Equity Participation

- Fund Size: USD 46.75 million
- OeEB investment: USD 5.9 million

# Thank you!

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