



Partners in  
Transformation  
ImpactConnect

# **Management Response to Recommendations from the ImpactConnect (formally known as AfricaConnect) Program Evaluation**

**DEG Head-Office Cologne  
September 2024**

*Dear Evaluators and Partners,*

In 2018, the German Federal Ministry for Economic Cooperation and Development (BMZ) commissioned the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) to launch the AfricaConnect program with the objective of encouraging German and European investments in Africa through the establishment of an investment

fund. The "Connect GmbH & Co. geschlossene Invest KG" fund, managed by CREDION Kapitalverwaltungsgesellschaft mbH, was established in 2019 as part of the BMZ's development investment fund. The program's objective is to address the various challenges associated with investing in Africa.

To ascertain whether the AfricaConnect program is meeting its objectives, DEG and CREDION have commissioned an independent interim evaluation of the program, structured according to the six OECD criteria: relevance, coherence, effectiveness, efficiency, impact and sustainability.

DEG and CREDION appreciate the comprehensive evaluation of the AfricaConnect program, which has since evolved into ImpactConnect, effective January 1st, 2024.

## **Evaluation Results**

The evaluation highlights the AfricaConnect program as a highly relevant and well-structured initiative that effectively promotes private sector investment in Africa. Its alignment with the strategic objectives of BMZ underscores its role as a vital investment promotion instrument. One of the program's key strengths is its subsidiary approach, which successfully addresses financial gaps faced by small and medium-sized enterprises (SMEs). The specific financing features tailored to the target groups demonstrate the program's responsiveness to their needs. Moreover, AfricaConnect operates cohesively within the DEG structure, reinforcing its alignment with the organization's overarching mission while complementing other initiatives, thereby ensuring a coordinated approach. Drawing from these results, the evaluation highlights that AfricaConnect fulfils the additionality criterion.

Outcome indicators indicate that AfricaConnect is achieving its expected results, particularly in job creation and preservation. While it is still early to assess the full impact of its investments, the program has integrated a consistent number of investments into its portfolio, demonstrating positive results. The combination of a holistic investment approach, adaptive management, and rigorous monitoring has contributed to its effectiveness. Although some challenges exist, such as potential inconsistencies in data concerning job creation targets, the program maintains a high level of efficiency with a favorable cost-benefit ratio. Furthermore, AfricaConnect's commitment to sustainability, underscored by its emphasis on environmentally and socially responsible practices, enhances its long-term viability and alignment with global developmental goals.

## **Recommendations and Our Response**

We have already initiated the integration of several key recommendations from the evaluation into this updated initiative. Based on these findings, we remain committed to further enhancing the ImpactConnect programme. The specific actions we plan to implement are outlined below:

1. **AfricaConnect should assess to extend its offer to further regions outside of Africa and further strengthen its outcome-based financing approach:**

We appreciate the recommendation to expand the regional reach of the program. In fact, this recommendation has already been addressed. The AfricaConnect program has been further developed and is now called ImpactConnect. As of January 1, 2024, this expanded initiative is available across all 65 BMZ partner countries, extending its reach beyond Africa.

Regarding the outcome-based financing approach, we have observed its positive impact within the AfricaConnect program. This financing model has proven to be highly effective in aligning investments with measurable development outcomes. With the expansion of the program through ImpactConnect, we are committed to applying this approach even more systematically in future financing. By further strengthening the focus on outcome-based financing, we aim to ensure that our investments deliver tangible and sustainable results across all regions. We are finetuning the outcome-based approach regularly to take up lessons learnt along the way.

Since the implementation of the Impact Strategy in early 2023, 50% of all completed deals have met one or more impact categories. This trend continues to grow—while in 2023, 30% of deals aligned with impact categories, in 2024, this figure has already risen to 66%. These numbers demonstrate our increasing emphasis on impact-driven investments.

**2. AfricaConnect should assess the possibility to offer larger investments:**

We acknowledge the recommendation to consider offering larger investments and intend to thoroughly evaluate this option. From a financial standpoint, an adjustment for purchasing power since the program's inception in 2019 could be justified, particularly given the rising demand for larger-scale financing to support transformative and high-impact projects. This would enable us to respond more effectively to the changing needs of our target groups and drive more substantial development outcomes.

Conversely, providing larger investments at the current funding levels would result in fewer projects being financed, which could in turn reduce the number of companies we are able to support. Additionally, the introduction of larger loan sizes must be carefully evaluated to ensure that the program contributes only where necessary, without crowding out the private sector. It is essential to consider those aspects carefully in order to ensure a balanced approach. We are committed to making a sensible and sustainable decision in a timely manner.

**3. The program should continue with the rigorous screening and due diligence process of possible investees:**

We fully agree with this recommendation and will continue to maintain the high standard of our rigorous screening and due diligence process. This applies to both the commercial evaluation as well as the environmental and social (E&S) assessments of potential investees.

To guarantee that these high standards are maintained, especially in light of the regional expansion and the increasing complexity of the program, we are prepared to allocate the necessary additional resources. This will ensure that our evaluation processes remain thorough and of the highest integrity, without compromising quality.

**4. AfricaConnect should continue to ensure that technical support is provided, particularly in relation to environmental and social management issues:**

We fully agree with this recommendation, as supporting companies in environmental and social (E&S) management is a core element of the program. We will continue to provide the necessary Technical Assistance (TA) resources to ensure companies receive the guidance they need in this area.

At the same time, we will strive to use these resources as efficiently as possible, ensuring that program funds are allocated sustainably. By doing so, we can ensure that the funds can be deployed in a revolving manner, leveraging the contributions for future financings and maximizing the overall impact of the program.

**5. The program should assess the possibility of supporting further locally owned companies with a relationship to German or European companies to achieve further impact:**

Following a comprehensive review of this proposal, we have decided to maintain our current focus on subsidiaries of EU-based companies, rather than allocating resources to local enterprises with less

extensive EU connections. This decision is based on a number of factors. In recent years, we have observed that the risk profile of German SME subsidiaries is notably lower. This has resulted in a reduction in defaults, allowing funds to be reinvested on a revolving basis and ensuring the long-term sustainability of the program.

Furthermore, the provision of assistance to EU-based companies, particularly German enterprises, remains a core element of the program's identity. We will continue to play a pivotal role in supporting these companies, bridging financing gaps, and facilitating the transfer of know-how and high standards. The existing program criteria are intentionally designed with a degree of flexibility, allowing us to adapt to unique circumstances, such as substantial supply chain relationships and other strategic considerations. This flexibility ensures we can provide meaningful support aligned with both company needs and broader program objectives.

**6. The program should continue to build on its efficient implementation approach by leveraging the expertise of the organizations and service provider that support the operation of the AfricaConnect program**

We fully acknowledge that the success of the program since its inception has been greatly driven by the strength of our network, service providers, and multipliers. We will continue to build on this well-established and broad foundation to ensure the program remains effective and impactful.

At the same time, we are committed to maintaining the highest levels of efficiency and effectiveness in all aspects of implementation. We continuously review the program's setup, processes, and structures to optimize performance. Our focus remains on ensuring the success of our clients, staying demand-driven, and maximizing both impact and success.

**7. The program should increase collaborations with other Development Projects and measures:**

We are continuously working on this. The recent reorganization of BMZ programs with the private sector under the umbrella "Partners in Transformation," which includes ImpactConnect, represents a significant step in this direction. To maximize impact, we always aim to integrate and align BMZ programs with those of other institutions—both nationally and internationally—ensuring that the needs of our clients and the program's overall impact remain at the forefront of our efforts.

**8. The program should conduct a more detailed impact study:**

As part of the "Partners in Transformation" initiative, a comprehensive evaluation framework has been developed. This framework encompasses regular program-level evaluations as well as portfolio-level assessments that examine specific impacts. ImpactConnect is committed to adhering to this evaluation framework and will actively participate in relevant impact studies.

Furthermore, in 2024, the advisory services provided by DEG for the Connect Fund underwent an initial verification to ensure alignment with the Operating Principles for Impact Management. Consequently, it is an integral component of the program's impact management system to systematically review and assess the achieved impacts, a practice that will be maintained going forward.

We are confident that these measures will enhance the effectiveness and developmental impact of the ImpactConnect program.

Best regards,

**Jan Müller, CFA**

Program Head ImpactConnect

DEG – Deutsche Investitions und Entwicklungsgesellschaft mbH

