

## **Management Response DEG**

Dear Evaluators and Partners,

In 2019, the German Federal Ministry for Economic Cooperation and Development (BMZ) commissioned the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) to launch the Global Impact Investment Facility, a newly designed co-financing program between DEG and BMZ. The program evolved from an already existing BMZ investment initiative for Africa & Near East (KoFiBan) as part of BMZ's development investment fund (Entwicklungsinvestitionsfonds). Since 2023, the GIIF has been classified as a development promotion fund within the meaning of Section 1 (19) No. 10a of the German Investment Code. The fund is based in Germany and managed by Credion, with DEG acting as trustee for BMZ. The program aims to enable DEG to invest in challenging markets by providing co-financing solutions that inter alia include a distinctive risk-sharing mechanism and an innovative local currency hedging solution. The program thereby contributes to the socio-ecological transformation of economies in developing and emerging countries, particularly by creating and preserving decent work, promoting sustainable economic practices and strengthening the economic participation of women. To ascertain whether the Global Impact Investment Facility 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 GIIF program, which has since evolved and been renamed into the Global Innovation Investment Fund (GIIF) program; effective January 1st, 2025.

## **Evaluation Results**

The evaluation highlights GIIF as a highly relevant and strategically aligned instrument that effectively supports BMZ's objectives in promoting private sector development in emerging and developing countries. GIIF contributes to DEG's activities in challenging markets and is an important facilitator of local currency transactions, which effectively promote private sector investment globally. Its alignment with BMZ's strategic priorities and cross-cutting themes, such as decent jobs, economic growth and renewable-efficiency energy in EMDEs, underscores GIIF's role as a vital blended finance facility.

One of GIIF's key strengths is its flexibility and innovative approach. The facility has proven capable of adapting to market needs through tailored financial products. Especially during the COVID-19 pandemic, GIIF contributed to both creation and preservation of jobs by implementing crisis financing. This underscores the effectiveness of the program, and we will continue leveraging GIIF's program inherent flexibility in terms of instruments, tailor-made structuring and financial innovation.

In terms of coherence, GIIF complements other German development financing instruments by addressing financing gaps and higher-risk segments not typically served by other programs. Its complex structure allows DEG to offer diverse products such as LCY lending and FX hedging. LCY is fundamental and demanded in EMDEs and we strive for further processual improvement going forward. The GIIF hedging mechanism in cooperation with TCX and the ability to offer more than 80 local currencies is – despite the general high cost involved in LCY hedging globally – one of the most cost-efficient structures globally.

The evaluation acknowledges GIIF's pioneering role in introducing complex blended-finance structures and risk-sharing mechanisms, reinforcing BMZ's innovation and partnership agenda. We will continue

to build on this strength by expanding novel financial products tailored to market needs, such as LCY and the upcoming stand-alone guarantees. GIIF will remain strongly aligned with BMZ's strategic priorities. While diversification into global markets is essential for risk mitigation and impact scaling, we recognize the importance of maintaining a strong commitment to Africa as a priority region of BMZ. GIIF has demonstrated overall effectiveness, with 20 of 24 financed transactions performing well and nearly half of the portfolio focused on Africa.

GIIF achieves both financial and non-financial additionality. It enables DEG to pursue riskier investments, mobilizes substantial private capital indirectly, and provides essential LCY financing through synthetic hedging. Non-financial additionality is realized through strengthened E&S standards and corporate governance improvements enabled by DEG's advisory instruments. Looking ahead, we aim to further strengthen GIIF's additionality by systematically enhancing its mobilization efforts to attract greater private sector participation.

### **Recommendations and Our Response**

We have already initiated the integration of several key recommendations from the evaluation into the program. Based on these findings, we remain committed to further strengthening GIIF. The specific actions we plan to implement are outlined below:

#### **1. Strategic planning: Prioritize GIIF's focus and expand its product offering**

We strive to further strengthen GIIF as a) a facilitator for DEG investments in difficult markets and under difficult circumstances as well as b) an innovator for LCY financing and c) a tool for mobilization. This strategic focus requires a certain degree of flexibility in terms of regional coverage as the "window"-logic has created challenges in the identification of suitable projects (e.g. delay in implementation of AfricaGoGreen window due to long preparation of infrastructure deals). Instead of further adapting the financing windows, we would rather open those windows with less criteria to make sure budgetary funds are used timely and in optimum manner. The module's gender indicator has been updated end of 2025 to achieve a G1 rating and sharpen its focus on women's empowerment and gender equity. This allows us to better capture the gender focus of the transactions.

#### **Crisis financing window: Formalize the ongoing discussions to adapt the scope of the global crisis financing window beyond COVID-19 pandemic to encompass a wider range of emerging global crises**

We agree that instruments like GIIF can play an important role as credit enhancement during the current poly-crisis environment. In line with this, we are open to broaden the crisis scope of GIIF beyond the COVID-19 pandemic to address a wider range of emerging global crises, such as conflicts and other disruptions. This expansion can be achieved not only through an explicit crisis window but also via Global Risk and Global Crisis transactions while maintaining flexibility within the toolbox (e.g. late repayment (Stundung)). Nevertheless, it is essential to safeguard the overall portfolio quality and ensure that crisis-related transactions remain at a risk-adequate level to preserve GIIF's long-term sustainability.

#### **2. LCY financing: Continuity of this finance product offer is important for broadening GIIF's scope of action**

We aim to further enhance our local-currency (LCY) financing offering by strengthening cooperation with TCX and improving internal processes. LCY financing is often perceived as costly, particularly in inflationary environments with high local interest rates. To help reduce costs for clients and increase the product's competitiveness, we maintain regular dialogue with TCX to identify opportunities for product optimization.

**3. Collaboration with stakeholders (BMZ): Communication and reporting frequency are adequate and should continue. We suggest joint consultation between DEG and BMZ to tailor a supplementary reporting format to support the annual reporting.**

We are committed to continuously improving our reporting practices to BMZ and remain open to providing both periodic and ad-hoc updates on critical portfolio developments, while ensuring that sensitive information is handled with the necessary discretion. Overall, we welcome BMZ's constructive involvement, particularly in shaping the further development of GIIF as an innovative financial instrument and in contributing to key strategic decisions. We believe that BMZ has an important political role to play in exceptionally critical transactions (such as those related to Ukraine) on a case-by-case basis. However, decision-making on individual GIIF projects should continue to follow the established governance framework.

**4. Pipeline management and internal communication: Strengthen internal communications protocols between DEG (market) and DEG Impact to improve co-ordination and accelerate decision-making. Maintain systematization and periodicity of communication exchanges to ensure that emerging developments are shared consistently.**

We agree with the recommendation on pipeline management and communication. There is a clear need to better coordinate the pipeline management as well as internal and external communication for GIIF. While we have already implemented improvements (e.g. oversubscription, internal workshops), we have also identified information gaps that require action. Going forward, GIIF allocations, including new mobilization efforts, will be managed and moderated more proactively. We are currently updating processes and will keep BMZ informed of these changes. Additionally, we plan to launch an external website to enhance visibility and attractiveness of the instrument.

**5. Business Support Services: Strengthen communication and coordination with DEG Impulse to explore and develop strategies for increasing the use of BSS among GIIF's clients.**

We see substantial value in offering BSS to DEG and GIIF clients, as targeted technical assistance can strengthen capabilities in areas such as gender empowerment, energy efficiency, and workforce readiness. BSS is provided in most GIIF transactions and is typically financed through DEG's budget to preserve GIIF's funding envelope. The provision of BSS in situations of financial or operational distress will continue to be assessed on a case-by-case basis to ensure resources are used efficiently and deliver meaningful impact.

**6. Development Effectiveness Rating: The team should coordinate periodical meetings for exchange of experience and better reporting.**

We will share the results of the new DERa, once the indicators are fully developed and provide BMZ with regular updates on their progress.

Overall, we are confident that these measures will enhance the effectiveness and developmental impact of the GIIF program.