SYS
PONS

DEG AND CREDION

INTERIM EVALUATION AFRICACONNECT PROGRAMME

Report

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1 Evaluation objectives

1.1 Evaluation subject

In 2018, the German Federal Ministry for Economic Cooperation and Development (BMZ) appointed Deutsche Investitions- und Entwicklungsgesellschaft (DEG) to set up and implement the AfricaConnect programme to foster German and European investments in Africa via an investment fund. Due to timely reasons the first investment fund was established in 2019 in Mauritius. Today, all assets have been transferred to a German based special-purpose alternative investment fund called "Connect GmbH & Co. geschlossene Invest KG," which is managed by CREDION Kapitalverwaltungsgesellschaft mbH. The programme, which commenced its operations in 2019 as one of the three pillars of the BMZ's development investment fund, aims to address the diverse challenges of investing in Africa.

AfricaConnect offers attractive loan financing in EUR, USD and local currencies as well as access to DEG's network experiences on the continent for developmental investments by German and European companies in Africa (including subsidiaries of established European companies already operating in Africa or planning to enter the market), as well as African companies with resilient business relationships with European counterparts. The loan financing (usually unsecured) offers can range from EUR 750 thousand to EUR 5 million for a duration from three to seven years and is designed to mobilize private activities in Africa by offering attractive rates for investments. It aims to overcome the challenges associated with investing in Africa, and to contribute to sustainable and fair employment, market development, innovation and technology transfer, and the mobilization of private finance on the continent. In phases of external shocks (e.g. Covid-19 Pandemic), AfricaConnect can also provide loan financing to bridge liquidity bottlenecks that are not self-inflicted.

Figure 1: Investment Focus



Since the start of the programme, the focus has been on the creation of sustainable jobs. As from January 2023, AfricaConnect adopted a new impact and transformation strategy that aims at further aligning the investments with social and ecological topics. This strategy introduced four impact and transformation areas related to 1) better jobs, 2) the economic empowerment of women, 3) fair and sustainable supply chains as well as 4) the reduction of the carbon footprint. The programme offers strong investment incentives for companies who either comply or aim to achieve progress in at least one of these areas through the reduction of offered interest rates. In addition, AfricaConnect provides technical assistance (TA) to the benefiting companies. The TA funds are intended to improve the companies' capacity (e.g. through staff training), structure or any activity that has a significant developmental or sustainability impact but does not form an essential part of the companies' business.

Over the five-year period from 2019 to 2023, focus of the AfricaConnect investments falls in particular seven African countries, at which over 80% of the investments are directed to. These seven countries are Tunisia, South Africa, Ghana, Morocco, Kenya, Togo, Senegal (see Figure 1).

Figure 2 Distribution of Loans until September 2023

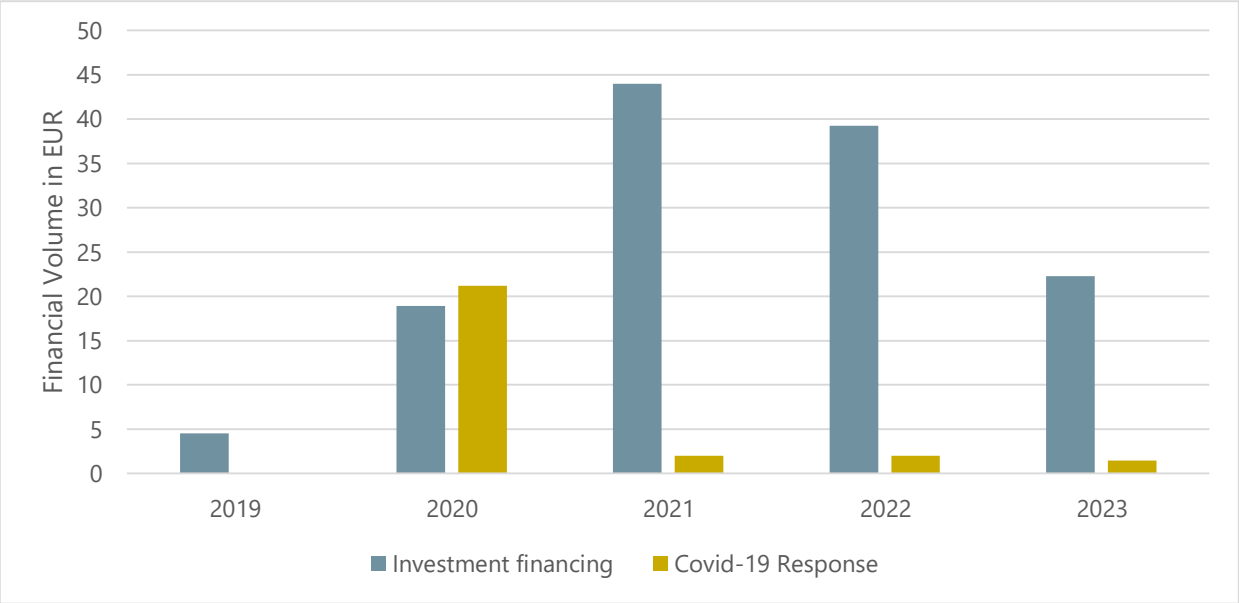
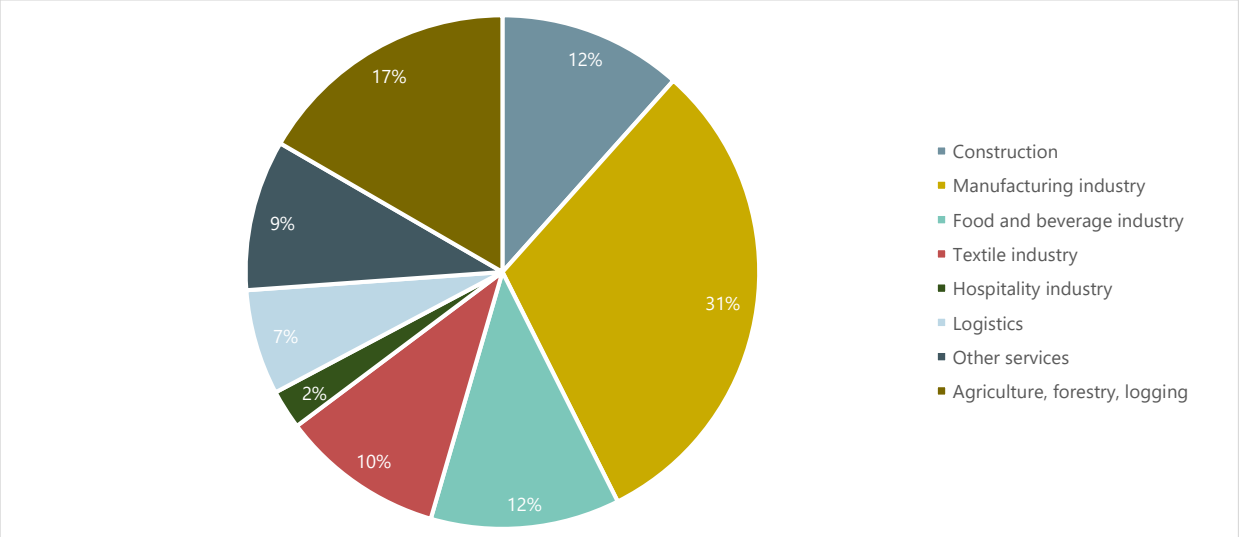


Figure 3: Share of total investment volume per sector



The chart in Figure 3 moreover illustrates the distribution of total investments of the programme among different sectors. The manufacturing industry benefits most, with the largest share at 31%, followed by agriculture, forestry, and logging at 17%. Construction and the food and beverage industry both receive 12% of the total investment, while the textile industry accounts for 9%. This breakdown highlights the programmes' beneficiaries' focus on investments in manufacturing, agriculture, and construction sectors on the African continent, with the manufacturing industry being the primary beneficiary.

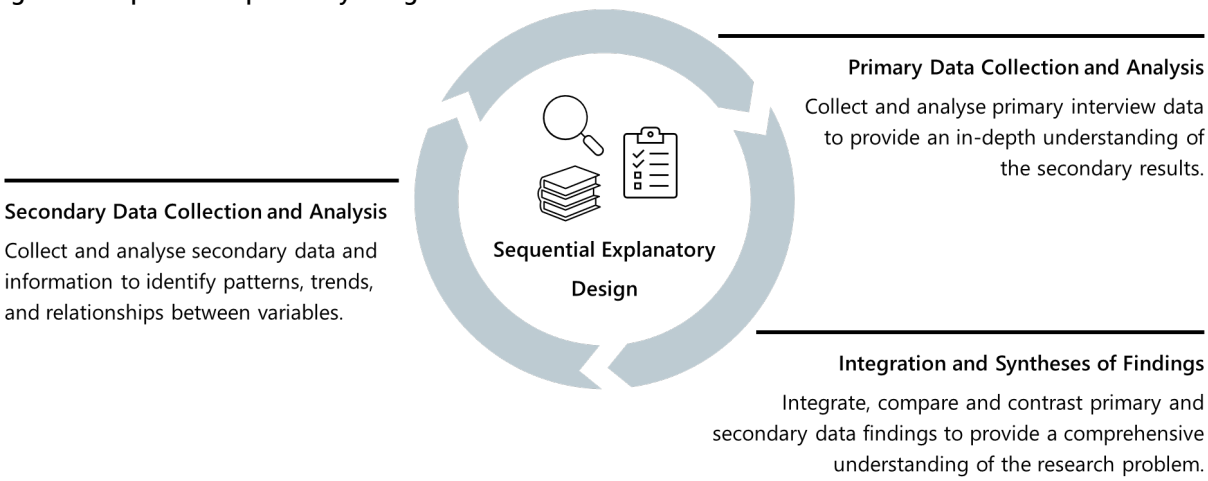
To assess whether the AfricaConnect programme achieves its objectives, DEG and CREDION commissioned an independent interim evaluation of the programme based on the OECD DAC criteria. This interim evaluation has both a summative and formative component. As part of the summative component, the evaluation investigates whether the programme achieves its intended results and impacts and if so, which factors, components and activities of the programme contribute most to these results and impacts. At the same time, the summative component shall serve for accountability and reporting requirements to BMZ. The formative component of the interim evaluation also aims at advising DEG and CREDION on the further course of the AfricaConnect programme, providing recommendations,

including in the context of the programme's new impact and transformation strategy as well as its planned global extension.

1.2 Evaluation design and methodology

To conduct this interim evaluation, Syspons adopted a sequential explanatory design (see Figure 4), allowing the collection and analysis of both secondary and primary data sequentially in order to gather sufficient information to assess the AfricaConnect programme. The two-tiered research design was based on a review of the quantitative and qualitative data and information on the different investment activities that are supported by the programme (secondary data). Subsequently, the design employed and drew on data from semi-structured, qualitative interviews with stakeholders from the AfricaConnect programme (BMZ, DEG, CREDION, PwC), from 15 supported companies, as well as relevant external partners (e.g. AfrikaVerein, DIHK).

Figure 4: Sequential explanatory design



Through the successive analysis of the secondary data sources and information on the supported investment activities, in particular the Environmental, Social and Management (ESM) data of the programme, a broad picture of the programme's results and impacts was drawn. Subsequently, insights concerning the factors, components and activities that contributed most to these results and impact were collected through the different semi-structured, qualitative interviews. In order to triangulate the data, collect additional quantitative data, and base the analysis on a larger sample, an online survey was carried out among 36 companies that had benefited from credit through the programme[1].

The sampling for the interviews partners was realised together with the AfricaConnect programme and based on a purposeful sampling that aimed at identifying and selecting information-rich cases and ensuring representativity through the coverage of different sectors, regions within Africa and investments size. The sampling also included loans of different status (from 2019 to 2023). In terms of region, the sample included the following countries of investment: Tunisia, South Africa, Ghana, Morocco, Kenya, Togo and Senegal, since they make up around 80% of the 53 AfricaConnect investments considered for the evaluation.
The evaluation based its analysis on the investments of the programme from 2019 to end of September 2023, including liquidity loans (AfricaConnect Covid-19 response) and representing a total of 41 companies and 53 deals.

The evaluation was guided by main evaluations questions structured along the six OECD criteria: relevance, coherence, effectiveness, efficiency, impact and sustainability. The questions and related methods of analysis are presented in Annex 1. At the start of the evaluation, five hypotheses were selected with the programme team on the

[1] The results show a 41% participation rate in the online survey.

basis of the project's theory of change and as part of the contribution analysis carried out in the effectiveness and impact chapters. The hypotheses (three at the outcome level and two at the impact level) were as follows:

Hypothesis 1 (Outcome level) **focused on the programme's contribution to job creation as well as to fair and safe working conditions.** The results' logic is based on the proposition that companies receive funding through the AfricaConnect loans and are required and supported by the programme in the implementation of social and environmental standards. Through these requirements and the support (both financial and technical), the companies create or preserve jobs in the framework of their investments in target countries, which are in line with ILO/IFC performance standards.

Hypothesis 2 (Outcome level) **focused on sustainable production approaches.** The results logic is based on the proposition that the programme requires and supports the implementation of international social and environmental standards and thereby contributes to the implementation of good, international industry practice within supported companies.

Hypothesis 3 (Outcome level) **focused on supply chain certifications**. The results logic is based on the proposition that through the financial incentives provided by AfricaConnect with the fulfilment of additional high requirements in defined transformation areas, supported companies will implement certification/audits of labour, environmental and/or social standards along the supply chain or already have them in place.

Hypothesis 4 (Impact level) **focused on the increase of local income in target countries**. The results logic is based on the proposition that through the financing requirements from AfricaConnect, supported companies' employment practice is in line with ILO/IFC performance standards, thereby contributing to an increase of local income in partner countries.

Hypothesis 5 (Impact level) **focused on the economic empowerment of women in target countries.** The results logic is based on the proposition that by providing financial incentives to companies that go beyond the programme's requirements in the transformation area of women economic empowerment, companies implement measure to achieve the 2X challenge criteria on gender equality, thereby contributing to strengthening the economic position of women in target countries.

Limitations of this evaluation were related to the scope of the evaluation, requiring a sampling of interviewed companies which can lead to challenges in ensuring representativity and extrapolation of results to the programme as a whole. Also, in the framework of this interim evaluation, only a first assessment of impact and sustainability aspects can be proposed, as most investments are still ongoing and the related concrete results are not yet fully available. Concerning the impact criterion, data was collected from September to November 2023, at this point many impacts may not have materialized yet. Some evidence may therefore have to be read with the caution of being rather suggestive. This also holds true regarding the elements around the impact and transformation areas and the incentives (interest rate reductions) of the programme, as their introduction is relatively recent (January 2023).

2 Criteria based assessment

2.1 Relevance

This criterion assesses the extent to which AfricaConnect's objectives and design align with BMZ's strategies and international standards, the extent to which it responds to the needs of German and European private enterprises in Africa as well as the final beneficiaries' needs, and to global and country developmental needs. **Is AfricaConnect doing the right thing?**

Summary: The AfricaConnect programme aligns effectively with BMZ's strategic goals of promoting private sector investment in Africa, thereby addressing the policies and priorities of the organization. As a new investment promotion instrument, the programme further demonstrates alignment with the needs and capacities of its target groups, which includes German, European, and African small and medium-sized enterprises with connections to the European Union. It particularly addresses the financing gap for German and European medium-sized companies seeking to invest or expand their investments in Africa, providing both improved access to financing with attractive loan conditions and suitable financing options. In terms of administration and support, the programme meets the expectations and capacities of the participating companies by offering a trust-based partnership and efficient support for financing their investments. Additionally, the programme's design is considered appropriate for achieving its objectives, with its structure and team composition identified as key success factors.

2.1.1 Alignment with policies and priorities

As a special instrument for investment promotion, the AfricaConnect programme fits well within BMZ's strategic goals of supporting private sector investment in Africa. Along with *AfricaGrow* and the *Africa Business Network*, AfricaConnect was established as one of the three pillars of the BMZ's *Development Investment Fund*, which was set up in order to facilitate trade and investment in Africa and overcome barriers to financing following the Compact with Africa (CwA)[2]. Its goal is to boost economic growth, especially in the Compact with Africa Countries[3] and to provide long-term support for trade relations between Europe and Africa. AfricaConnect was also the first of these pillars to become operational in June 2019. As stated in the BMZ's Africa Strategy[4], cooperation with the private sector remains an important pillar in efforts to drive innovation and social change. The programme represents a new investment promotion instrument whose job creation and development objectives are in line with the strategic priorities set out in the BMZ's Africa Strategy, which supports the vision of the African Union for the continent (Africa Union's Agenda 2063) as well as the Africa-EU Partnership.

With the introduction of a new impact and transformation strategy in January 2023[5], the programme has expanded its focus to include four additional socio-ecological topics, that align with BMZ priorities: 1) better jobs 2) female empowerment, 3) fair and sustainable supply chains, and 4) reduction of the carbon footprint. By motivating companies to pay wages in line with the Living Wage concept, to demonstrate international standards and certified working conditions, and to offer further training programmes, the AfricaConnect programme pursues the promotion, establishment and expansion of social security in line with the Africa Strategy. It also aims to support the goals of feminist development cooperation and contribute to the fight against structural inequalities by introducing criteria for the promotion of women's economic empowerment and social and societal participation. Moreover, the

[2] Founded in 2017 under the German G20 presidency, Compact with Africa aimed to support reform-oriented African States[2] in their efforts to enhance the framework for private investment in their countries.
[3] Since its launch in 2017, 12 countries have joined the initiative: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia (BMZ Africa Strategy 2023)
[4] Shaping the Future with Africa, The Africa Strategy of the BMZ, January 2023
[5] AfricaConnect's Impact and Transformation Strategy, January 2023

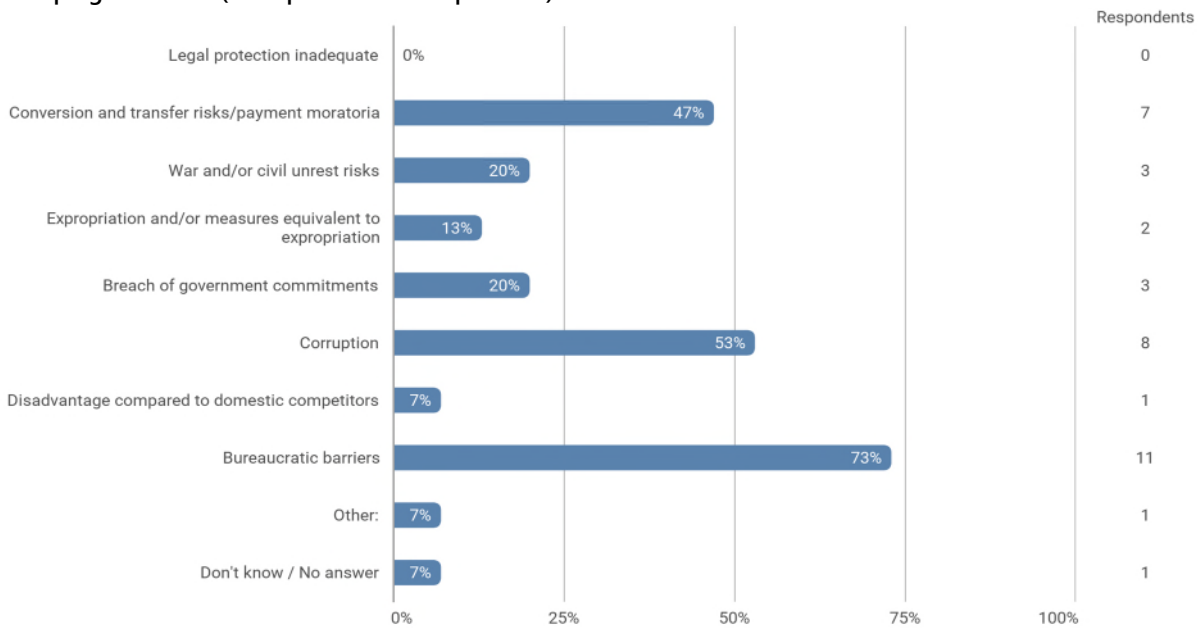
programme is aligned with international standards. By focusing on compliance with environmental and social (E&S) criteria, encouraging the certification of working conditions and supply chains, and the reduction of carbon footprint of private companies, AfricaConnect aims to contribute to the socio-ecological transformation of the economy in developing and emerging countries, supporting the goals of the Paris Climate Agreement.

2.1.2 Alignment with needs and capacities of beneficiaries

The relevance criterion also examines the alignment of the programme with the **capacities and needs of the target group, i.e.** German, European and African small and medium-sized enterprises with a link to the European Union[6] (e.g. shareholder from the EU). Companies planning to initially or furtherly invest in Africa face a number of political and economic risks that affect their ability to find financial partners and implement the investment. A brief analysis of these risks enables the identification of companies' main needs when they wish to invest in Africa: For the purposes of this analysis, we distinguish between the needs and capacities of companies on the following dimensions: 1/financial, 2/administrative and support measures (including E&S compliance and monitoring).

As per the results of the survey, the most cited among political risks were bureaucratic obstacles (73%), as well as corruption (53%) and conversion and transfer risks (47%). Other risks selected by participants were related to war or unrest in the country of investment, expropriation or expropriation-like measures, and breach of government commitments. 40% of participants to the survey stated that they have already been affected by one of these political risks.

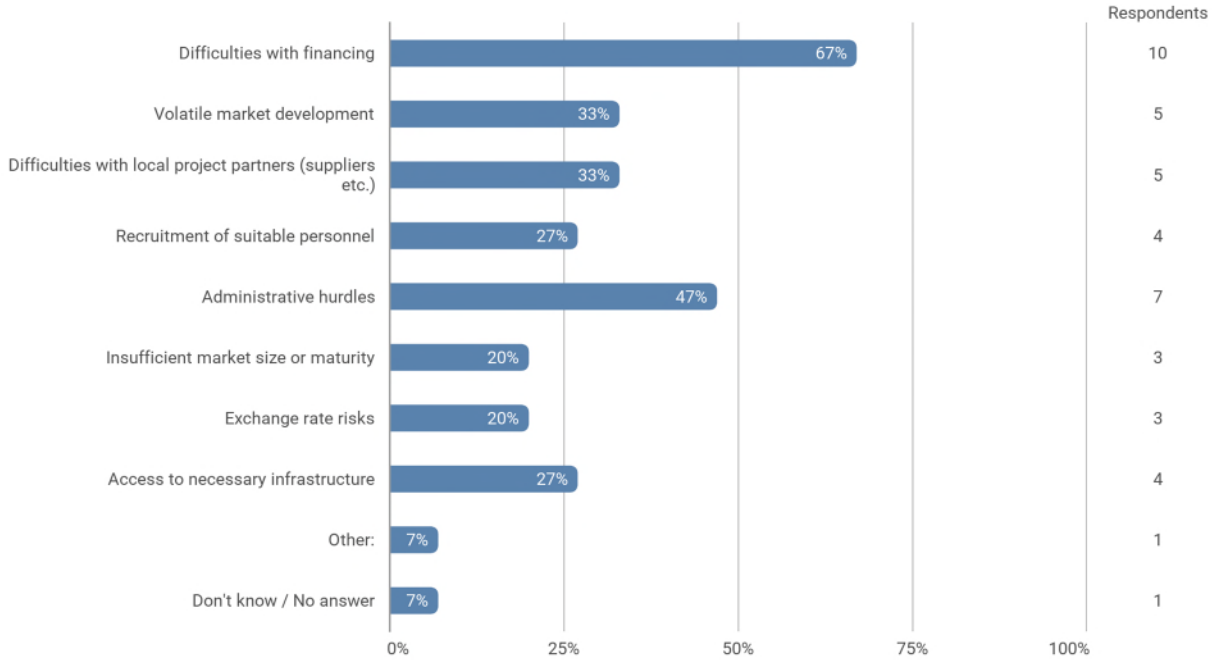
Figure 5: Results from the online survey on main political barriers to making investments in Africa and/other developing countries (multiple choice was possible)



In terms of economic risks, difficulties in accessing financing was the most frequently reported (67%), followed by administrative hurdles (47%), volatile market development (33%), difficulties with local project partners (e.g. suppliers) and lack of access to necessary infrastructure. Other risks were the recruitment of suitable personnel, insufficient market size or maturity (20%) and exchange rate risks. 67% of the companies participating in the survey stated that they had already been affected by one of these economic risks.

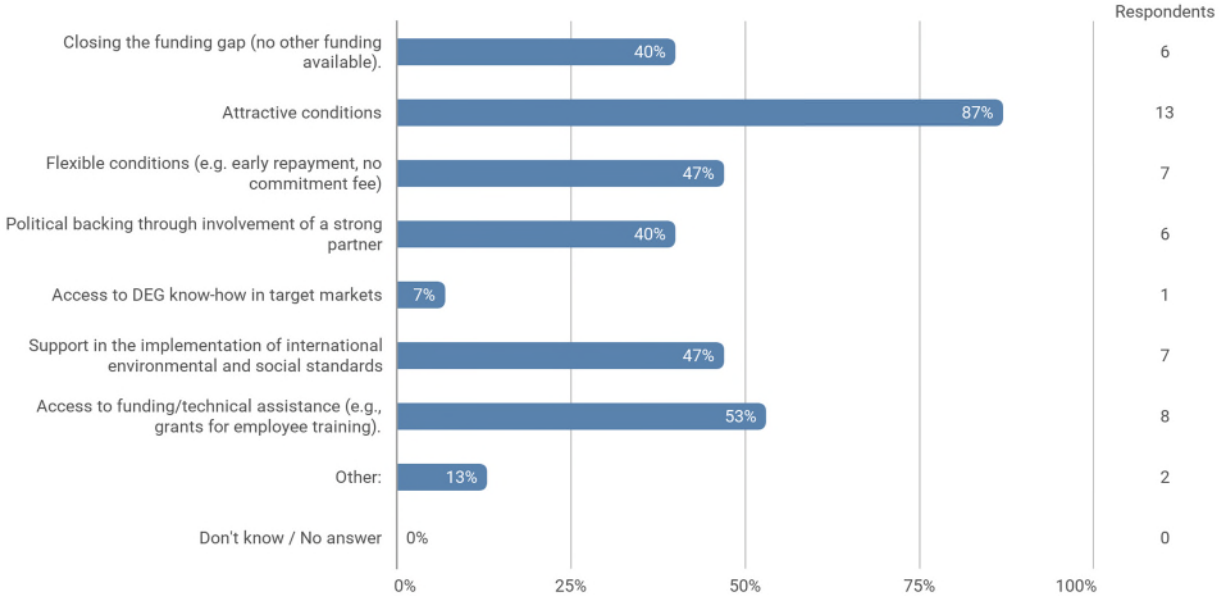
[6] Subsidiaries of established European companies that are already active in Africa or are planning to enter the market and African companies with a long-term, resilient business relationship with a European company.

Figure 6: Results from the survey on main economic barriers to making investments in Africa and/other developing countries (multiple choice was possible)



The results of the survey also showed that the main reasons for the companies to seek financing via AfricaConnect are, first and foremost, the attractive terms and conditions as well as the closing of a financial gap (respectively chosen by 87% and 40% of respondents as one of the main reasons for financing their investment through AfricaConnect loan).

Figure 7: Results from the survey on AfricaConnect's financing main advantages (multiple choice was possible)



During the interviews, consulted companies mentioned needing efficient and reliable financial partners to support them in what are considered high-risks investments, with lean processes and a high degree of flexibility and responsiveness.

Financial dimension

At the financial level, the evaluation showed that AfricaConnect fills a financing gap, especially for German medium sized companies wishing to initially or further invest in Africa. This gap is reflected both in the **access to finance** as well as the **type of financing** needed for their investment. As regards access to finance, most interviewed companies confirmed that they would not have found similar financing elsewhere. Many confirmed that they would therefore not have made the investment at all. For those who could have found financing elsewhere, the much less attractive loan conditions would not have allowed them to make an investment of this scale. The investment would therefore have been smaller and over a much longer period of time, with fewer benefits (also in terms of job creation). Among the main reasons stated by companies with regards to access to finance were difficulties in finding finance, the need to present a guarantee, especially with traditional banks as well as high interest rates in the countries of investments. Moreover, AfricaConnect fills a gap by focusing on companies whose size and investment requirements do not meet the criteria of typical financial instruments: While international commercial banks or development finance institutions (DFIs) tend to finance larger, higher volume projects, other available financial instruments finance lower-volume projects (e.g. Upscaling). Additionally, local banks are often limited in their own offerings as they – e.g. – cannot provide long term and/or hard currency financings, usually have to take collateral and generally do not have the capacity to holistically assess the risks associated with financing (subsidiaries of) German or European companies. Against this background and by specifically targeting companies whose investment projects in Africa are considered high risk (and in most cases ineligible for financing by commercial banks), AfricaConnect acts in a subsidiary capacity and improves access to finance for this target group by offering attractive loan conditions in the range of up to 5 million EUR. Drawing from these results, it can be asserted that AfricaConnect fulfils the **additionality criterion. This criterion examines the extent to which the programme addresses a need that is not being met elsewhere or by other stakeholders.**

In addition, the evaluation also showed that the type of financing was well suited to the needs of companies wishing to invest on the African continent. For many of the interviewed companies, the duration of the loan (up to 7 years) was cited as an additional benefit in response to their need for more time to implement new processes, develop and market new products to customers, build cash flow and carry out trainings, particularly in the context of new investments in Africa and for newer businesses. In particular, the ability to arrange flexible financing for their subsidiaries without having to provide collateral in the form of guarantees proved to be important for the companies and this type of high-risk investments. This form of support was not available before. This was also confirmed by the collected survey data. All survey participants confirmed that the product offered by AfricaConnect corresponded to their financing needs (73% confirmed that it fully met their needs, and 27% that it met their needs). Furthermore, 87% of participants stated that this type of financing would be relevant for their companies when investing in other countries. Additionally, the liquidity protection measure implemented by AfricaConnect as part of the Covid-19 pandemic response covered an important financing need. This was especially the case for companies that were otherwise economically stable, yet that were hit by the consequences of the pandemic and were looking to securing cash flow in order to protect and secure jobs.

The collected data nevertheless highlighted a number of areas in which the programme may further improve in order to meet companies' financing needs more appropriately. Among these aspects, the volume of loans was mentioned. Some companies considered the size as being too limited in the context of their future investments needs. They also saw little scope for the use of the loan as part of a refinancing package. Finally, it should be noted that while the programme is well tailored to the needs of German (and European) companies, few African companies with an EU link have benefitted from the programme. Even though not considered the core target group of the programme, this aspect was further described by some of the companies consulted as a missed opportunity to anchor the impact at local level by extending financing to local owned companies with a relationship to German or European suppliers and manufacturers.

Administration and support dimension

In the area of administration and support, the collected data has shown that the programme matches well the expectations and capacities of companies. Theese are looking for a trust-based partnership and efficient support for financing their investments. At the level of partnership and loan processing, the programme was overall assessed very positively as effective, responsive and unbureaucratic. It thus aligned well with the need expressed by businesses to pursue clear and speedy processes, with direct, proactive communication. Especially for the German medium-sized companies interviewed, many of which are family-owned businesses, AfricaConnect is a trusted and flexible partner. In the context of investments that involve a certain level of risk and are influenced by external factors in the investment countries, this characteristic is considered essential. Another important need identified was access to technical assistance in the form of grants for employee training. This was confirmed by the survey data, with 53% of the participants citing it as one of the main reasons for seeking financing through AfricaConnect. The backing through the involvement of a strong partner (DEG/KfW and BMZ funds) was also mentioned in the interviews as an important aspect of AfricaConnect financing, with several companies mentioning it as a quality feature for their investments and support within the country of investment, and 40% of survey respondents selecting it as an important element in their financing choice.

With regard to the social and environmental criteria (E&S), the data collected shows a good level of satisfaction with the process followed and the support provided by the programme. Over 40% of the survey respondents cited the support in implementing international environmental and social standards as an important advantage of the programme. Importantly, one of the key features of the programmes lies in the free of charge assessments on environmental, social and human rights risks as part of the verification process. In case of necessary remedial actions in one or more areas, the programme offers orientation and supports companies to improve their performance and comply with international standards on E&S. Different perspectives about the process could however be observed during the evaluation, depending on the companies' previous experience in the area of impact financing and E&S criteria monitoring and compliance. For companies with previous experience, the requirements and processes of the programme with regards to E&S are aligned to their capacities and objectives. They provide additional perspectives and depth to the compliance process through additional due diligence and discussions around specific aspects of E&S criteria. For smaller companies or those with little experience, the processes for monitoring and complying with E&S criteria were considered challenging, expressing the need to first understand and clarify the definitions, create an internal monitoring culture and dedicate sufficient resources to monitoring. Even though the programme supported companies in the process, the monitoring needs to happen internally. In these scenarios, the clarification of expectations on both sides was considered essential, to avoid gaps between set goals and what the company can deliver at a given time.

2.1.3 Appropriateness of the design

Overall, the design of the programme was considered adequate for achieving the programme's objectives. This holds to be true in several respects. Firstly, the **structure** of the programme and the **composition of the team** were mentioned as one of the main success factors of the programme. This was raised by those responsible for the implementation of the AfricaConnect programme as well as by many of the companies themselves. All highlighted the «lean» characteristic of the programme and its clear processes and distribution of roles and responsibilities. These factors enable a speedy loan application process as well as direct, personalized communication with companies. Qualitative data collected during the evaluation also shows that the **balance between commercial/banking and E&S management expertise** within the team was positively assessed by companies as one of the programme's strengths. Internally, the **embedding of the programme and its team within DEG structures** has allowed for clear processes and distribution of roles and responsibilities (see chapter Coherence).

Secondly, the programme takes a holistic approach to investments in Africa by making financing decisions based on economic, social and environmental sustainability criteria (e.g. fulfilment and follow-up E&S criteria). As

confirmed by the AfricaConnect team, a project is judged on all these criteria and cannot be selected on commercial viability criteria alone. In this framework and in addition to the financing criteria and the due diligence process, the programme's design allows the analysis of funding applications on a **case-by-case basis**, enabling a tailor-made approach and a deepened verification process that proved important in the framework of different country realities and companies' needs as well as in the framework of the "pilot" characteristic of the programme. In some cases, this approach has made it possible to weigh up the pros and cons and take joint decisions on investments that are commercially risky but present a high impact potential. The fact that not only companies that comply with all the criteria are financed, but also those that are ready to move forward in the compliance through the loan, enables the programme to consider a wider target group and drive forward compliance among these groups of companies. The identification processes were also important in this context, in particular the **direct approach of companies,** allowing for a pre-selection of companies that, for example, presented financing projects in line with the programme's impact objectives. Furthermore, the programme's sustainability approach was strengthened in its design by the adoption of an impact and sustainability strategy across four impact areas as of January 2023. This strategy places sustainability at the forefront and, looks more closely at other developmental effects beyond jobs creation.

2.1.4 Reaction to change

Lastly, the data collected during the evaluation demonstrates a good level of responsiveness to change in the programme. According to the collected data, AfricaConnect has been able to take account of external factors influencing both the programme and companies' investments, and to adapt implementation accordingly. At programme level, and as mentioned in its annual report (from June 2023), AfricaConnect has been able to compensate for the drop in investment financing requests by an intensified and targeted direct contacting of suitable companies, including locally in Africa. As mentioned above, this approach has enabled the pre-selection and selection of around 12 investment projects per year since 2021.

Moreover, faced with the Covid-19 pandemic from 2020 onwards, the programme has adapted its offer by rapidly implementing loans for securing cash flows and preserving jobs (AfricaConnect Covid-19 Response). In terms of individual investment projects' management, qualitative data from interviews with companies show a high degree of flexibility in the programme and a personalized approach that has enabled certain financing and milestones to be renegotiated and adapted in response to external difficulties affecting the implementation of investments in the countries concerned.

As mentioned concerning the programme's design, the strategic steering enabled the adaptation of the programme towards further development effects through the adoption of a new sustainability and impact strategy as from 2023. Changes are to be made to the module target matrix to reflect the impact-oriented interest rate incentive system for companies with very good development effects. Furthermore, by implementing an investment strategy that explicitly defines environmental and social characteristics as part of the investment strategy, AfricaConnect has been classified as an Art. 8 Sustainable Finance Disclosure Regulation (SFDR) product since 2 January 2023. The programme is also considered a development promotion fund within the meaning of Section 1 (19) No. 10a KAGB (EF fund) since 9 June 2023. This type of fund is part of the German Sustainable Finance Strategy (BMF) and its key feature is its special development and climate policy funding purpose[7].

2.2 Coherence

This criterion assesses the internal and external compatibility and complementarity of AfricaConnect with other interventions in Africa and in private sector development financing. **How well does the intervention fit** within the German development cooperation (internal) and with other stakeholders/donors' interventions (external)?

[7] Annual Reporting to BMZ, AfricaConnect, 2023

Summary: The evaluation indicates that the AfricaConnect programme exhibits strong internal coherence. Within the DEG structure, the programme is well-integrated and aligned with the organization's objectives. Furthermore, it demonstrates a high degree of complementarity with other DEG programme, indicating a coordinated approach within the agency. Qualitative data collected underscores the programme's strategic importance within the broader context of German development cooperation, particularly in terms of its support for investment and private sector development initiatives in Africa. In the context of SME investment support in Africa, the AfricaConnect programme is positioned innovatively within the European landscape. Additionally, the programme exhibits a good level of connectivity with other key German stakeholders involved in supporting investment and fostering private sector development in Africa, even though further collaboration as well as the programme's visibility towards companies could be reinforced.

2.2.1 Internal coherence

At the internal level, the programme is well connected to the DEG structure. The qualitative data collected during the evaluation indicate a clearly defined division of tasks and responsibilities, as well as clear work processes between the various actors involved in the programme. While all decisions are made by CREDION as investment management company and duly authorized representative of the fund, DEG as well as other external advisors (e.g. PwC) are supporting the implementation of the programme, thereby leveraging existing DEG structures. Communication takes place on a regular basis and at different levels. DEG Impact is also involved at the level of planning of the fund and local currency hedging. The AfricaConnect team shares common jour fixe with the DEG, where exchange on companies' investment projects and identification of synergies can take place. Externally, the programme is perceived as lean by interviewed companies, indicating clear communication processes with well-defined roles and contact person division between the commercial/banking and the E&S management aspects.

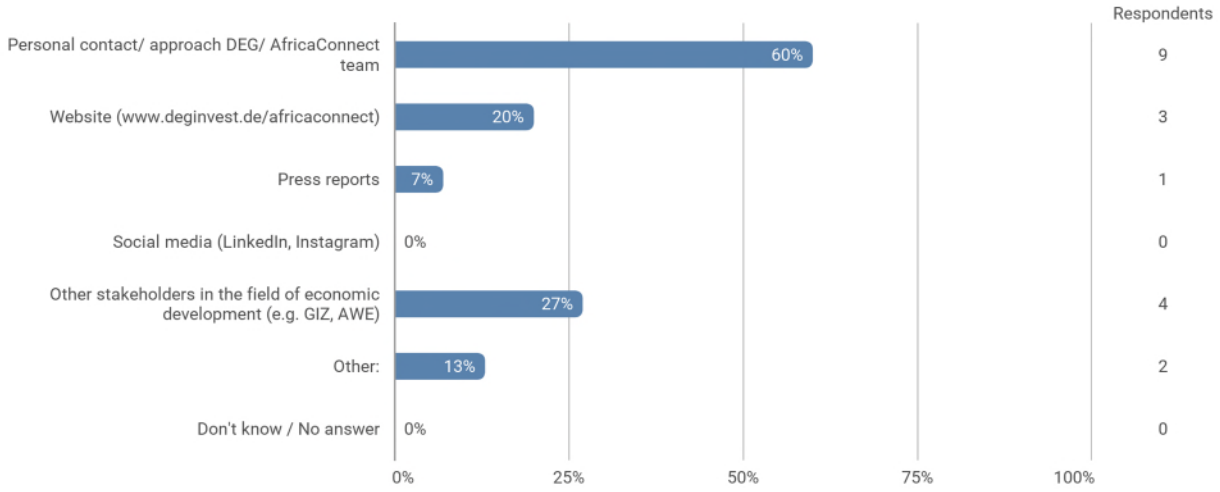
The programme also shows a good level of complementarity with other DEG programmes. Together, they cover different needs of the private sector at different levels. On the one hand, financing with a volume of EUR 5 Mio. or higher can generally be provided by traditional DEG financing. On the other hand, other programmes, such as the Upscaling programme finances new investments of early-stage SMEs aimed at scaling innovative business models with high development impact, providing funding of 500,000 to 749,000 EUR[8]. Another DEG programme, the develoPPP, offers project funding of up to EUR 2 million to European or German companies looking to pilot an innovative technology, raise the standard of their supply chains or invest in a sustainable training programme. The AfricaConnect may share common target groups with these programmes but offers other specific features and targets other type of (larger) investments projects from small and medium sized German and European enterprises looking to invest or invest further in Africa. As confirmed by the AfricaConnect Team, common jour fixes between the programmes help foster regular exchange and experience sharing between the different programmes, which may share common clients in common countries and sectors. Each programme plays the role of information multiplier towards the client, orienting them towards the programme that might best fit their profile and projects. As per analysis of the qualitative data collected, the programme's **added value in relation to other DEG programmes** seems to lie in the filling of a financial gap for its specific target groups as well as its wide scope in terms of sector and countries and the specific features of the programme related to risk investments, such as unsecured loans and local currency loans. The E&S criteria management developed in the framework of the AfricaConnect programme is also perceived as a source of expertise within DEG.

The qualitative data collected also points to the strategic position taken by the AfricaConnect programme within the landscape of support to investment and private sector development initiatives within German development cooperation. AfricaConnect was launched as part of the BMZ's strategical approach to support private sector investment in Africa and is therefore well embedded into German Development cooperation landscape.

[8] Eligible are early-stage SMEs (i) in the FinTech Sector, or (ii) with embedded finance components, or (iii) in the GreenTech Sector which are registered in a developing country or emerging market. (DEG Upscaling Programme)

The evaluation data also demonstrates a good level of exchange with other actors within German Development cooperation, such as KfW and GIZ. Many companies that learnt about the programme from KfW or GIZ local offices in the investment countries stated that those acted as multiplicators on several occasions. They informed companies about AfricaConnect and drew their attention towards the programme. Nonetheless, as far as the evaluation data shows, the use of synergies seems to lie solely in the identification and orientation of potential companies.

Figure 8: Results from the Survey on the information channels through which companies learnt about the programme (multiple choice was possible)



2.2.2 External coherence

At the external level, the evaluation data shows that the programme takes on an innovative position in the overall offer to SMEs investment support in Africa within the European landscape. AfricaConnect's specific features offer an innovative financing solution within the impact financing sector for small and middle-sized European companies. As per the qualitative data, cooperation and exchange exists between the AfricaConnect programme and other DFIs at the European level, such as for example Swedfund.

The programme is also well connected to other German players active in supporting investment and the development of the private sector active in Africa. The evaluation data shows a good level of communication and exchange between the different players and networks and the programme, with regular meetings being held to exchange and discuss potential synergies. Such exchanges take place, for example, with the AfrikaVerein, the DIHK as and the Africa Business Networks. As qualitative data shows, they also act as relays for companies and the programme, guiding companies with potential to be eligible for the programme.
However, although contacts and information are provided through these channels, cooperation could be reinforced, as AfricaConnect remains largely responsible for the acquisition and identification of suitable companies. The qualitative data collected also indicates an untapped potential in terms of visibility of the programme among companies.

2.3 Effectiveness

The effectiveness criterion assesses the extent to which AfricaConnect is achieving its objectives and results. **Is AfricaConnect achieving its objectives by granting loans to German and European companies in Africa and supporting them with technical assistance?**

Summary: The analysis of programme's data shows that the programme was able or is likely to achieve its output and outcome indicators by the end of the programme's period, overachieving some of its outcome indicators. Additionally, the analysis of programme data and companies' interviews has shown that the programme plausibly contributes through its financing to the creation of jobs and to the setup of sustainable production approaches. Particularly the contribution of the programme as a driver and motivation to deepen compliance and set up processes for the follow-up of the E&S criteria was highlighted. Furthermore, the implementation of the programme was considered adequate to achieving the objectives.

2.3.1 Achievement of objectives

The analysis of the evaluation data shows that the programme's output and outcome indicators have been achieved or are likely to be achieved by the end of the programme's period.

Outcome indicator 1 focused on job creation and safeguarding. The aim was for 70% of the financed investments or companies to create at least 30 long-term direct jobs (or 10 jobs in CwA countries). In phases of external shocks, long-term jobs should be maintained through crisis liquidity financing. Regarding job creation and based on the available companies ESG-Monitoring scores[9], the creation of 9053 jobs was committed through the investment financing up until the end of September 2023[10], 4130 of which have actually been created so far. The rate of jobs actually created in relation to the objectives (according to the ESG-Monitoring scores) was 53.6% for accepted investments in 2019, 83,6% in 2020, 24,6% in 2021 and 47,2% in 2022. Among the 37 companies with ESG-Monitoring scores, 31 had job creation objectives, ranging from 4 to 2,000 jobs with an average of 240 jobs. As per the data, 26 of these companies were/are to create at least 30 jobs (23 companies with 30 or more jobs and 3 companies with at least 10 jobs from CwA countries[11]). Considering the total number of companies from 2019 up until the end of September 2023 (41), the outcome indicator is therefore overachieved with 75,6% of companies creating at least 30 jobs[12]. Moreover, according to AfricaConnect's monitoring document on committed investments, companies were able to maintain 9160[13] jobs through the programme's liquidity financing (AfricaConnect Covid-19 response).

Outcome indicator 2 focused on market development and innovation. The aim was for 70% of the financed investments or companies to contribute at least to a "good" extent to market development and innovation in the African target markets[14]. According to the 37 companies' available ESG-Monitoring scores, where companies are evaluated according to the potential for market development and innovation through AfricaConnect financing, 86,5% of the 37 companies received a "good" or "very good" score. Among these 37 companies, 4 received funding only as part

[9] The evaluation took into account all deals up until the end of September 2023, representing 41 companies and 53 deals. Data analysis from ESG-Scores Monitoring however takes into account data from 37 companies, as 3 companies had repaid their loans before 2022 (before ESG monitoring was introduced) and one of them was accepted and counted as deal but afterwards not realized.

[10] The evaluation took into account the data from the companies' ESG-Monitoring sheets to compare job creation objectives and jobs created.

[11] Tunisia, Morocco, Ghana

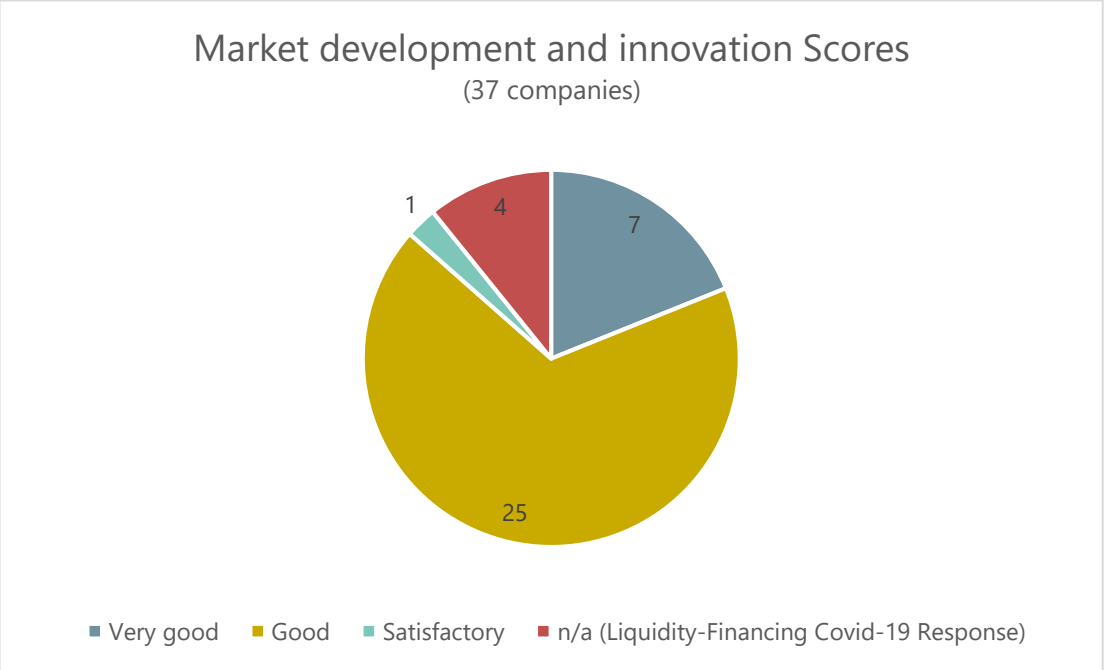
[12] The monitoring data does not mention whether these are long-term jobs but according to the qualitative evaluation data, AfricaConnect uses the DEG definition to count created jobs.

[13] As of 31.12.2023

[14] As per the programme's results matrix: *"good" applies in terms of market presence (the customer enters the market for the first time and thus reduces the market power of the dominant players) or in terms of technical improvement (the financing helps to ensure that the machines/products used for production/distribution represent a technical improvement (know-how transfer). Local employees are trained/professionally instructed in relation to this improvement, whereby a transfer of knowledge takes place or has taken place.*

of the Covid-19 response of the programme for liquidity financing and were therefore not concerned by the measurement of this indicator ("n/a" in the below figure). Without these 4 companies, the percentage is therefore higher (97%) and the programme managed to also overachieve outcome indicator 2.

Figure 9: Market development and innovation Scores (37 companies)



Outcome indicator 3 focused on the mobilization of private capital. The aim was the mobilization of private capital amounting to at least 25% of the AfricaConnect funds awarded by the end of 2030. According to the last AfricaConnect BMZ reporting from June 2023, the rate amounted to 72.8% (weighted average of 49.6% mobilized and 181.1% strengthened private capital). Consequently, AfricaConnect was also able to greatly exceed its third objective, the mobilization of private capital.

2.3.2 Contribution to the achievement of objectives

The analysis of the programme's contribution to achieving the objectives is based on its theory of change. Within this framework, **outcome-level hypotheses** were selected together with the programme during the inception phase of the evaluation. The plausibility of these hypotheses is examined hereafter using a cross-analysis of data drawn from documents (mainly the programme reports and the companies' ESG-Monitoring documents) and qualitative and quantitative data drawn from interviews as well as from the company survey.

Hypothesis 1 from the Theory of Change relates to job creation and fair and safe working conditions through the AfricaConnect's investment financing. The hypothesis was as follows: "*If companies receive funding through AfricaConnect loans, and AfricaConnect financing requires and supports the implementation of international social and environmental standards, then jobs are created or preserved by these companies in target countries and supported companies' employment practice is in line with ILO/IFC performance standards*".

The first part of the hypothesis, related to the creation (and/or preservation) of jobs through the AfricaConnect loans can be confirmed through the evaluation data. Firstly, as mentioned in the chapter on relevance, the evaluation showed that most companies would not have been able to make the investment without the programme, or to a much lesser extent and over a longer period of time (and therefore likely with a less favourable result in terms of job creation). Many of the companies interviewed also indicated that there was a direct link between the investments and job creation, with many being linked to the expansion of production sites, requiring the creation

of additional jobs. The company survey realized in the framework of this evaluation also indicate that 85% of companies agree with the fact that the AfricaConnect funding had enabled their company to create new jobs that otherwise would not have been created.

The company ESG Monitoring data[15] in turn provides concrete information on the job creation objectives set during the financing approval and on the progress made by each company (the number of jobs actually created up until November 2023). The analysis of this data shows a job creation rate of 53.6% for accepted investments in 2019, 83,6% in 2020, 24,6% in 2021 and 47,2% in 2022 in relation to initial targets. Although it is still too early to draw conclusions on actual job creation – as most of the funding is ongoing, with many companies still to finish implementation processes such as construction work of production site extensions – most of the interviewed companies are confident that they will be able to achieve the targets set in terms of job creation. It should also be noted that in some cases, logistical difficulties have delayed the implementation of investments (e.g. extension of a production site, delivery of machinery), particularly during the Covid-19 pandemic, which may also delay job creation.

It can therefore be concluded, that due to the existence of a direct link between the investment made and the jobs created, on the one hand, and the fact that most of the companies would not have made the investment without AfricaConnect, on the other, the programme contributed to job creation within the companies. Moreover, as mentioned above, the liquidity protection measure implemented by AfricaConnect as part of the Covid-19 pandemic response enabled companies to preserve 9160 jobs. Although the evaluation had no data concerning preserved jobs other than that mentioned in the programme document concerning the deals accepted (AfricaConnect Zusagen Stand November 2023), anecdotal evidence from interviews with companies indicates the importance of this funding in preserving jobs, including good jobs for many companies. Some companies already committed to the implementation of good jobs and fair working conditions and were able to continue paying their employees despite the pandemic, and/or to pursue their growth objectives for future job creation. Anecdotal evidence further shows that in some cases, liquidity financing to preserve jobs was followed by a second financing, this time for an investment, itself linked to the creation of new jobs. This example illustrates the potential of combining these types of financing for the same company, between job preservation and job creation.

Secondly, the plausibility of the link between created and preserved jobs and fair and safe working conditions through the AfricaConnect loan is also confirmed. Indeed, to benefit from financing through AfricaConnect, companies undergo a screening as well as a verification process (*Prüfung*) along international standards (IFC Performance standards, EHS Guidelines, National environmental and social legislation, ILO Core Labour Standards, ILO Basic Terms & Conditions of Employment). Companies are then attributed a category according to their level of compliance with these standards (A, B+, B, C). Potential gaps in compliance with these standards are subsequently addressed in an Environmental and Social Action Plan (ESAP). This plan forms part of the contractual basis on which the investment is made. Companies are therefore required to regularly collect and report the necessary data to the programme and prove compliance with the criteria and gaps identified during the implementation of the investment along agreed upon milestones. Failing to do so would therefore represent a breach of contract, making compliance with minimum criteria concerning fair and secure working conditions a condition for the release of investment funds.

Furthermore, above the minimum criteria, the programme's ESG-Monitoring implemented as from February 2023 requires companies to report on criteria linked to further standards of working conditions (certification of working conditions, conditions of remuneration and living wages). These also form part of the new impact strategy, which seeks to achieve further impact, notably achieving better jobs (e.g. addressing the living wage concept as well as the certification of working conditions) through the attribution of further interest rate reduction when minimum requirements are exceeded. In terms of remuneration conditions, analysis of the monitoring data available for 37 companies shows that a **large majority of the employees of beneficiary companies** (86.4%) **receive remuneration above the minimum wage**. This company's minimum remuneration however guarantees a living wage[16] in only 27% of the beneficiary companies. In general, supported companies must comply with the **IFC Performance Standards** and these are part of the contract with AfricaConnect for projects corresponding to a certain

[15] Those available, 37 out of the 41 companies included in the evaluation

[16] Defined as the gross wage needed to cover basic family expenses plus all relevant taxes (OECD)

risk profile. In case any gaps in the content of these projects are identified during the due diligence process with regard to the requirements of the performance standards, these are closed by means of an ESAP. Currently, 6 companies are still in the implementation phase of the Environmental and Social Management System (ESMS) (IFC PS1) and for 8 companies the fulfilment of IFC PS2 is outstanding. Furthermore and according to the ESG-Monitoring data, 32% of supported companies have certified working conditions.

Establishing the extent of the programme's contribution to the creation of safe and fair working conditions according to the criteria mentioned represents however a challenge, due to the fact that the scope of the evaluation does not allow to analyse the progress made by the companies in relation to a given reference situation prior to the implementation of the funding (whether linked to the minimum or higher criteria). In the framework of the company survey realized during the evaluation, 72% of participating companies nonetheless agreed to the fact that the environmental and social audit conducted by AfricaConnect has led to improvements in environmental and social aspects within their companies. In addition, the implementation of the interest rate reduction for further impact in the area of better jobs is a relatively recent development (January 2023). The data received in the framework of this evaluation does not allow the identification of companies that have benefited from these interest rate reductions, or the standards for which they were eligible for them.

Yet, anecdotal evidence from interviews with companies tends to confirm the programme's contribution as a driver for progress in these areas, through its in-depth analysis of working conditions during the verification phase. Particularly in terms of safety at work, many companies mentioned that they had gone further in analysing and collecting data, and in implementing processes and actions to improve safety at the sites concerned, as a result of the investment made through the programme. As per the results of the company survey, certification of working conditions and occupational safety considered relevant by 85% of the participants (64% very relevant and 21% relevant). In general, all beneficiary companies had the opportunity to make use of up to 200,000 EUR subsidy for (TA funds). For example, this allows companies to finance up to 50% of training programmes that are not mandatory for the performance of the current jobs but are considered further training measures. Interview data also showed that many companies invest in training for their employees, both in-house and sometimes in collaboration with external partners such as training institutes in the investment countries or with GIZ.

Hypothesis 2 from the Theory of Change was related to sustainable production approaches. This hypothesis was as follows: *"If AfricaConnect's financing requires and supports the implementation of international social and environmental standards, then supported companies implement good, international industry practice".*

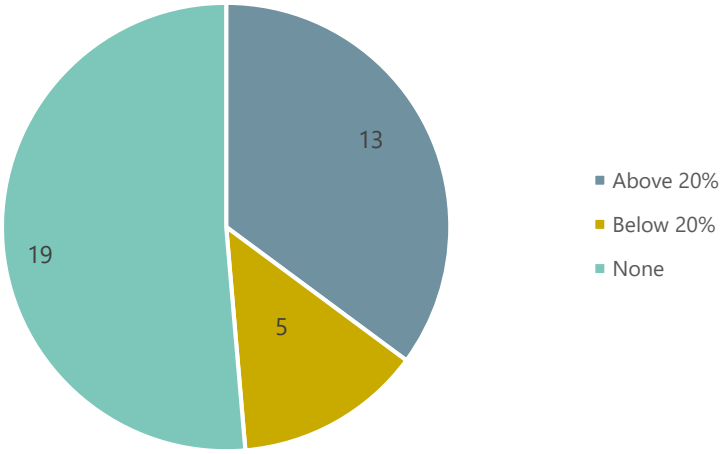
The plausibility of this hypothesis is confirmed. **Through its verification and due diligence process, AfricaConnect contributes to the assessment of compliance with E&S criteria along international standards** (EHS Guidelines and Good International Industry Practice, IFC Performance standards) as well as the identification of compliance gaps that are addressed through Environmental and Social Action Plans.

Moreover, based on the qualitative data collected from the interviewed companies, the contribution of the programme seems to lie in the deepening and follow-up of the E&S criteria. That is, AfricaConnect manages to provide beneficiary companies with a thorough analysis process as well as a further motivation and impulse to look deeper in E&S criteria in the different sectors.

In addition, the direct approach and case per case management of the programme allowed for the identification and funding of projects aligned with sustainable production goals. This enabled the programme to motivate and foster the inclusion of sustainable production approaches objectives. However, the scope of the evaluation does not allow for an in-depth analysis of E&S monitoring data for each company, and therefore a before/after comparison. Nevertheless, the ESG-Monitoring data provides details concerning the market development and innovation scores of the different companies (which, in the programme's assumption, should support the transition to more sustainable production patterns), as well as on the existence of sustainable management systems and uti-

lization of renewable energy sources. Programme's documents indicate a good score in terms of market development and innovation (see above with 86,5% rating at least "good")[17]. Additionally, during the first verification phase, AfricaConnect assesses the companies' environmental and social risks. Based on this assessment, it is further determined whether an Environmental and Social Management System (ESMS) is necessary and how extensive it needs to be. According to the ESG-Monitoring, 62% percent of the companies required a comprehensive ESMS. Finally, as regards the percentage of utilization of renewable energy sources in total electricity consumption, the data indicates that 48% of companies are using renewable energy sources, 35% with a percentage of utilization above 20% and 13% below 20%. The company's survey results show that 93% of companies consider the reduction of CO2 play an important role for their industry/sector (considered "relevant" by 57% and "very relevant" by 36% of the survey participants).

Figure 10: Percentage of utilization of renewable energy sources in total electricity consumption



Overall and based on the qualitative data, the contribution of the programme to the deepening and follow-up of the E&S criteria was confirmed. We can hereby differentiate between companies who already had experience in the field of impact finance and sustainable production approaches from those who did not. For those who already had experience, the compliance requirements and monitoring undergone through the AfricaConnect financing allowed for a deepening of the analysis as well as a motivation to go further. For those with less experience, the compliance requirements and monitoring through the AfricaConnect financing represented an important driver to build a willingness internally and set up processes for compliance within the company.

Hypothesis 3 from the Theory of Change is related to supply chain certification. The hypothesis was as follows: "*If AfricaConnect provides financial incentives to companies to introduce or strengthen high requirements in the defined transformation fields that go beyond the programme requirements, then supported companies implement certification/audits of labour, environmental and/or social standards along the supply chain or already have them in place, and offered products are label certified and/or are member of a supply chain initiative and implements environmental and social requirements.*"

This hypothesis is considered to be plausible. While no quantitative data was available at company level on supply chain certifications, data from the last BMZ Monitoring report however indicates that 50% of the approved investments in risk-relevant sectors (such as textile and food processing) possess supply chain certifications. In addition, the last available monthly reporting to BMZ (October 2023) shows that 67% of beneficiary companies active in the sector of agriculture, fisheries and forestry have a certified supply chain. Anecdotical evidence from the qualitative data also demonstrates that many companies supported through AfricaConnect were engaged in supply chain certification prior to receiving funding from the programme, with some of them pursuing further certification in their sectors through the financing. Additionally, results from the company survey show that supply chain certification play an important role for many of the companies, with 72% considering it relevant (36% "very relevant" and 36%

[17] Very good scoring includes: *New technology: the customer applies new production and environmental technologies that have not previously been used in the country or sector*

"relevant"). Yet, at the time of the evaluation, the introduction of transformation areas (and the provision of related financial incentives) is still recent. The data received in the framework of this evaluation does also not allow the identification of companies that have benefited from these interest rate reductions, nor the standards for which they were eligible for them. Consequently, no cross-sector disaggregated monitoring data was available on supply chain certifications among beneficiary companies.

2.3.3 Quality of implementation

The implementation of the programme was considered adequate to achieving the objectives. Firstly, qualitative evaluation data shows that the clear processes and relevant distribution of roles and responsibilities within the AfricaConnect team has led to an efficient operational and technical steering of the programme, thereby enabling fast decision-making processes. The programme implementation was positively assessed by the financed companies, who appreciated the decision-making processes and communication methods, often described as effective and reliable, in the context of a relationship based on trust. At the strategic steering level, AfricaConnect has been able to adapt its design during implementation to include a focus on transformation areas to achieve further impact through its investment financing (see also chapter relevance), further aligning the programme to BMZ's core strategic objectives (see also chapter Relevance).

Secondly, as highlighted by the evaluation data, **the monitoring of the different company projects, particularly of E&S criteria and additional impact criteria, is, while being complex and time-consuming, appropriate**. The programme has established the necessary monitoring tools and formats to be able to monitor each company and each investment properly. Furthermore, with the introduction of additional impact and transformation areas in 2023, the programme has developed a common E&S monitoring system with specific templates such as the ESG-Monitoring scores and questionnaires (such as the Social Information Questionnaire for Direct Investments (ESIQ) and the Annual Environmental and Social Management Report (AESMR)), to measure E&S criteria fulfilment at company level, including tracking the impact categories over the entire loan period. While the tools are considered appropriate for company-level monitoring, the evaluation notes that there is room for improvement in the aggregation of data at programme level, which is currently only available through the programme's monthly reporting to the BMZ and only includes certain criteria relating to impact and transformation areas related to ongoing financing.

Additionally, at credit management level, the results of the survey and qualitative data from the interview demonstrate a **high level of satisfaction with the overall process on the side of the companies**. Companies underlined in this regard the direct, clear, responsive, and proactive communication and management approach with the AfricaConnect team. Qualitative data drawn from the interviews with the AfricaConnect team also highlights good results in terms of credit management, with only one company categorized as "red" (highest risk level), one loan being restructured, and three companies are in difficulty situations. According to the qualitative data, these could however be stabilized through the intensive care unit of the programme, which allows a more intensive and closer credit control and counselling with the companies involved. Although the implementation of the investments was delayed in many cases due to external factors[18], the interviewed companies were confident about their ability to achieve their investment objectives and expressed their appreciation for the programme's flexibility in taking these external factors into account, leading to rapid negotiations for milestone revisions.
Furthermore, at E&S processes and management level, differences can be noted from the evaluation data between companies who already had experience with E&S compliance and monitoring, and those for which these processes were relatively new. The former expressed their satisfaction with the monitoring and compliance processes pursued by the programme, giving them additional impetus to deepen their processes as well as additional expertise offering new perspectives. For the latter, the processes to be implemented and the resources required for reporting were sometimes underestimated, leading to agreements with the programme on targets that were sometimes considered

[18] Such as the availability and delays of service providers in the investment countries, global logistics issues causing delivery issues, Covid-19 pandemic, local energy supply or administrative problems, etc.

too ambitious. In this respect, some companies stressed the need for more intensive and detailed clarification of expectations and processes from the outset.

On the whole, cross-analysis of the qualitative data seems to indicate that it is essential for the programme to strike a balance between maintaining a certain simplicity while applying the necessary rigor in respecting and monitoring E&S criteria. Indeed, this balance can allow the programme to both include and drive compliance for companies for whom the process is relatively new, but also to continue supporting companies already demonstrating high levels of compliance and wishing to go further.

2.4 Efficiency

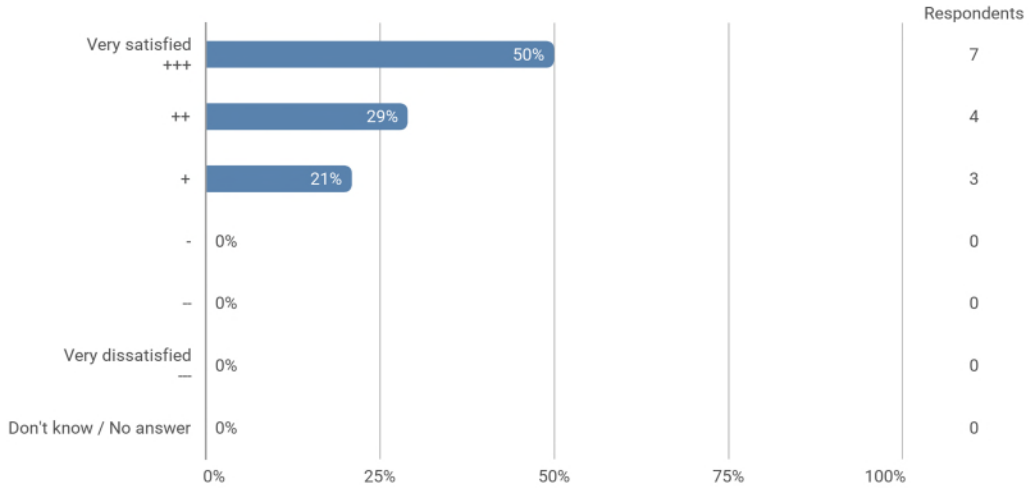
This criterion assesses the extent to which AfricaConnect's delivers, or is likely to deliver, results in an economic and timely way. The assessment hereby looks at the implementation efficiency as well as the allocation efficiency.
Is AfricaConnect's implementation efficiency satisfactory?

Summary: The AfricaConnect programme demonstrates a high level of efficiency. At implementation level, the structure, composition and processes within the programme are considered adequate for the required activities. The AfricaConnect programme demonstrates a good level of allocation efficiency, with an average cost-benefit ratio of EUR 33.260 for actual jobs created and approximately EUR 14.800 for planned jobs. Comparatively, it outperforms similar initiatives. However, it's important to note that the data's accuracy may be influenced by factors such as consecutive funding for certain companies and potential inconsistencies in the provided data regarding total investment volumes and job creation targets.

2.4.1 Implementation efficiency

Firstly, the qualitative data from companies' interviews, highlighting the speed of the decision-making and credit processes as well as clear administrative and communication processes, suggests a good level of implementation efficiency. The data also suggests that the size of the team is appropriate for achieving the objectives, benefiting from a clear distribution of roles and responsibilities between the different aspects of the programme (see chapter coherence). The data also suggests that the size of the team has increased in proportion to the effort required by the investments funded. Importantly, the revolving characteristic of the loans, which allow for funds to be reused for other projects further reinforces the overall efficiency of the programme. Lastly, it is to be noted that efficiency gains based on digitalization have not been investigated as part of this evaluation.

Figure 11: Results from the company survey: level of satisfaction with the overall credit process



2.4.2 Allocation efficiency

To assess the allocation efficiency, the cost-benefit ratio is considered, which compares the investment costs of the programme with the overarching intended impact. Due to the high relevance of the programme's objective, job creation was used as a proxy indicator for measuring the achievement of this analysis.

Table 1 below shows the results of the analysis. As can be seen in the table, the cost-benefit ratio was calculated using the investment volume divided by the number of jobs (planned to be) created. This results in the cost-benefit ratio, which shows the average cost of the programme for a job created. According to this calculation, the cost-benefit ratio currently averages around EUR 33.260 for each job created and around EUR 14.791 for the planned jobs. Considering the early stage of the implementation for many investments, the higher cost-benefit ratio for actual jobs in comparison to planned jobs is sensible. While the cost-benefit ratio for planned jobs is ambitious, achieving only half of the targeted job creation would lead to an improved cost-benefit ratio of EUR 29.581. This showcases the programme's efficiency in achieving its main objective.

AfricaConnect's efficiency is even more prominent when compared to comparable data. The IFC conducted for instance a tracer study[19], based on data obtained from 50,257 SMEs, which illustrates that for a loan of 1 million dollars to SMEs in developing countries, an average of 8.15 additional permanent jobs are created per year. In order to compare this result with AfricaConnect, the average investment volume and costs that AfricaConnect has to bear per investment must be determined. This computes to around USD 4,5 million (EUR 4,13 million) and therefore to around 35 jobs that could be expected per investment. The cost-benefit ratio based on the IFC data accordingly equates to USD 134.000 (EUR 122.700) per job created. As illustrated above, AfricaConnect is considerably more efficient than that and generates on average 80 jobs per investment and a cost-benefit ratio of EUR 33.260.

The data reveals however also considerable differences of the programme's inherent cost-benefit ratio for both planned and created jobs. When investments are differentiated by size, dividing AfricaConnect's loans into smaller ones of less than EUR 2,5 million and larger ones, of 2,5 million and more, it is evident that the cost-benefit ratio of smaller loans is considerably larger than the ratio of larger loans. This holds to be true across years (taking into account that 2022 presents a strong outliner that alters the overall average significantly) as well as for both planned and actual jobs created. This result is even more striking, as the fund management costs of smaller loans are, according to interviewed AfricaConnect staff, typically higher for the smaller investments.

Table 1: Cost-benefit ratio of jobs created

	2019	2020	2021	2022	2023	Total
Investment volume (total)	6.520.000 €	40.000.000 €	36.570.000 €	33.420.000 €	17.390.000 €	133.900.000 €
Investment volume (</=2,5)	2.520.000 €	7.700.000 €	4.920.000 €	3.670.000 €	3.390.000 €	22.200.000 €
Investment volume (>2,5)	4.000.000 €	32.300.000 €	31.650.000 €	29.750.000 €	14.000.000 €	111.700.000 €
Number of investments	3	10	10	9	5	37
Number of investments of </=2.5	2	4	3	2	2	13
Number of investments of >2.5	1	6	7	7	3	24
Jobs (planned)	140	1996	2997	580	3340	9053
Jobs (planned) with investments of </=2.5	40	98	363	16	550	1067
Jobs (planned) with investments of >2.5	100	1898	2634	564	2790	7986
Jobs (generated)	75	2810	736	405	0	4026
Jobs (generated) with investments of </=2.5	10	33	62	1	0	106
Jobs (generated) with investments of >2.5	65	2777	674	404	0	3920
Investment volume per job (planned)	46.571 €	20.040 €	12.202 €	57.621 €	5.207 €	14.791 €
Investment volume (</=2,5) per job (planned)	63.000 €	78.571 €	13.554 €	229.375 €	6.164 €	20.806 €
Investment volume (>2,5) per job (planned)	40.000 €	17.018 €	12.016 €	52.748 €	5.018 €	13.987 €
Investment volume per job (generated)	86.933 €	14.235 €	49.690 €	82.519 €	- €	33.260 €
Investment volume (</=2,5) per job (generated)	252.000 €	233.333 €	79.393 €	3.670.000 €	- €	209.493 €
Investment volume (>2,5) per job (generated)	61.538 €	11.631 €	46.958 €	73.639 €	- €	28.495 €

[19] International Finance Corporation (2021). Small Business, Big Growth. How investing in SMEs creates jobs. URL: https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-sme-report-2021-fa-digital.pdf

These findings ought to be qualified, however. This is in particular the case for the yearly data. Firstly, certain companies received funding in consecutive years. The total amount of funding that these companies received, has been accumulated in the first year of funding, also as the information of the number of jobs planned and created often referred only to the first year of funding. Moreover, fund management costs was only available for 2021, 2022 and 2023. The fund management costs for the first two years of the programme are based on estimates calculated on the basis of the average fund management costs over the last three years. Finally, the data used to calculate these cost-benefit ratios is based mainly on the ESG-Monitoring data provided by the programme. It is important noting here, that this data is sometimes inconsistent with other data provided by the programme in terms of total number of jobs to be created.

2.5 Impact

This criterion assesses the extent to which AfricaConnect contributes to the achievement of higher-level impact objectives. **Is the AfricaConnect impact strategy appropriate for the achievement of the objectives? To what extent can lasting change (direct and indirect) be observed in a first step?**

Summary: This first assessment on impact achieved through the AfricaConnect financed investments demonstrates the contribution of the programme in deepening compliance with E&S criteria and motivate companies to achieve further positive impact through their investments. The qualitative data show the plausibility of positive effects on indirect jobs and increase of local income through the investments.

Over and above companies' results in terms of compliance, the impact criterion seeks to identify potential development changes in target countries that could be directly or indirectly linked to the investments made by the companies financed by the programme. It should be noted that the programme is committed to achieving additional impact objectives with the introduction of a system of financial incentives in the areas of better jobs, economic empowerment of women, sustainable supply chain and CO2 reduction. However, the introduction of these impact and transformation areas are relatively recent.[20] Moreover, the scope of this interim evaluation did not allow for an in-depth assessment of the specific situation of each company to detect potential impacts at different possible levels (on employees, surrounding communities, regions, environmental and economic impact, relationships and effects on potential subcontractors and value chains, etc.). Nonetheless, the following elements, based mainly on qualitative and secondary data analysis, are intended to provide some initial insights as to the potential and plausible impact of some of these investments. These could be further monitored for an in-depth evaluation at a later stage of programme implementation. In the following paragraphs, the potential impacts identified at various levels are described, followed by an analysis of the programme's contribution to these changes, with particular reference to the impact hypotheses selected with the team at the start-up phase of the evaluation.

2.5.1 Intended higher development changes

The qualitative data collected during the evaluation indicates positive developments (or estimations for more recent investments) in terms of the ability of companies to generate growth through the investments made and in achieving the set objectives. Insofar as these objectives are for the most part linked to job creation and, in many cases, to positive developments in social terms (salaries, working conditions) and environmental terms (energy savings, more sustainable production), it is plausible that these investments could generate positive development effects.

[20] According to the programme, only 4 companies have received so far an interest rate reduction, 2 because they have already fulfilled some of the criteria and 2 who will fulfil them as part of the AfricaConnect loan.

To illustrate, the growth generated by companies through the investments and the expansion of their activity can indirectly create demand among subcontractors or companies along the supply chain. These subcontractors and suppliers are in turn more likely to create or preserve jobs. Although it is not possible to draw up an actual summary of the indirect jobs created or preserved as a consequence of the company's activity, regular company questionnaires required as part of the AfricaConnect's monitoring provides an estimate of the number of indirect jobs linked to the company along the supply chain. According to the programme's current data, this figure amounts to 19,135 indirect jobs created[21]. Although these figures are based on estimates, they provide interesting insights into the indirect impact of the investments. Analysis of the programme data shows that most of the corresponding companies are active in the food, agri-business, and forestry sector which involve manufacturing of raw material, as well as textile. The introduction of stable, fair and secure working conditions through supply chain certification in these sectors can therefore have a positive impact on development. These are indeed considered high-risks sector with long supply chains often marked by numerous shortcomings in terms of compliance with social and environmental standards. The qualitative data collected concerning these companies shows that most of them were already committed to sustainability objectives and to establishing fair and secure working conditions, and that they have strengthened their objectives in these areas through the investment made via AfricaConnect.

Additionally, anecdotical evidence moreover shows that impact potentials seem to lie in the involvement/willingness of certain companies to achieve additional impact through activities related to social and environmental sustainability, sometimes "outside the company". Examples collected through the evaluation included projects in the field of renewable energy or energy efficiency, cooperation with universities or training institutions for employee training as well as projects in the field of youth and education. Although the evaluation data does not allow for any conclusions to be drawn about the effectiveness or impact of the projects mentioned, it would be interesting for AfricaConnect to analyse more closely the multiplier effect of this type of commitment by the companies funded by the programme.

Concerning the area of women economic empowerment, the data collected through the evaluation has not led to the identification of any substantial changes. The average share of women in leadership positions within the programme's companies varies widely by country, with some companies having presenting rates at 0% and others over 30%. Although the qualitative data collected through the interviews shows the willingness of certain companies to achieve objectives in the area or the progress made to date, no baseline data was available, making it difficult to analyse the quantitative data from the ESG-Monitoring concerning the proportion of women in senior positions in the companies supported. Additionally, the results of the survey show that only 65% of respondents considered the area of economic empowerment of women to play a particularly important role in their industry/company, compared with 72% concerning certification and audit of supply chains, 85% concerning working conditions and/or occupational safety and 93% for CO2 reduction.

2.5.2 Contribution to intended higher development changes

The analysis of the programme's contribution to intended higher development changes focused on the two hypotheses selected in the start-up phase.

Hypothesis 1 relates to the increase of local income in target countries. The hypothesis reads as follows: *"If supported companies' employment practice is in line with ILO/IFC performance standards through AfricaConnect financing, then the programme contributes to an increase of local income in target countries."*

[21] Indirect jobs are defined as those related to the financed companies or jobs created or secured along the supply chain. These are either estimated using the Joint Impact Model method (JIM) and queried in the Environmental and/or the data provided by companies as part of the questionnaires required by the programme, such as the Social Information Questionnaire for Direct Investments (ESIQ)and the Annual Environmental and Social Management Report (AESMR). The figures resulting from these are estimated values for the number of employees working for the companies' local suppliers. The subcontractor employees specified in the questionnaires are also added.

This hypothesis is considered plausible. As the analysis has shown, the investments provided are conditioned by compliance with ILO and IFC performance criteria. Moreover, the programme effectively motivates companies to go further in achieving objectives linked to working conditions, including conditions of remuneration, which can lead to positive effects on income. In addition, evidence indicate further that, as described above, companies whose product is entirely produced in the country of investment, showcase a positive potential in terms of increasing the share of income that remains in the country.

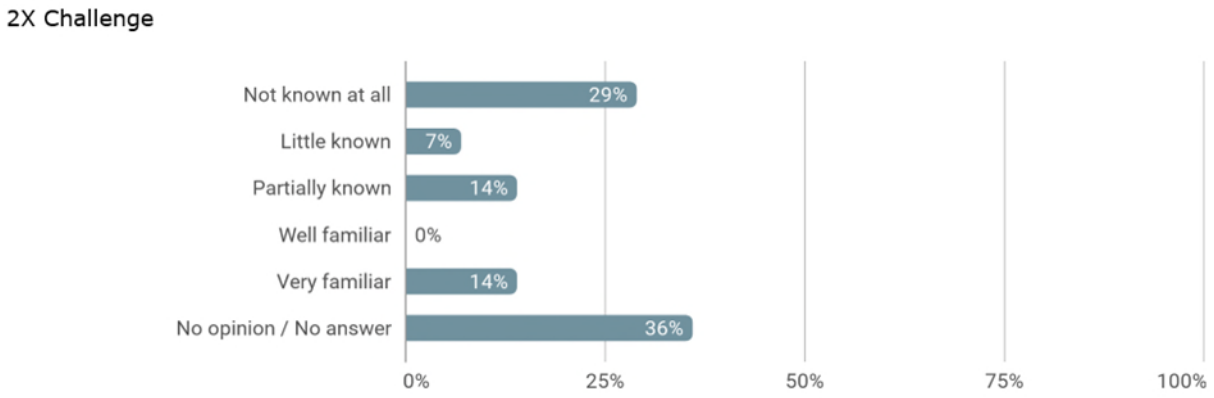
However, the data at hand does not yet allow for a comprehensive and differentiated analysis (according to type of investment, type of sector, etc.), as many investments are still being implemented and the potential benefits of investment and their developmental effects on local income cannot yet be analysed. Also, as data concerning the proportion of income generated by companies that actually remains in target countries was not available during the evaluation. Finally, the potential of supporting locally-owned companies to increase local income in target countries seems to have been relatively unexploited.

Hypothesis 2 relates to the economic empowerment of women. The hypothesis reads as follow: *"If AfricaConnect's funding provides financial incentives to companies that go beyond the requirements of the programme in the transformation area of Women Economic Empowerment and companies implement measures to achieve the 2X Challenges criteria on gender equality then AfricaConnect contributes to strengthening the economic position of women in target countries."*

This hypothesis cannot be yet confirmed, as the introduction of the impact and transformation area related to women economic empowerment and the implementation of measures to achieve the 2X is relatively new and sufficient monitoring data is not yet available on the subject.

In the framework of the online survey, companies were asked how familiar they were with the concept of 2X Challenge. Although no conclusions can be drawn from these results, they seem to indicate that the programme will need to continue sharing information and motivating companies in this particular area of impact.

Figure 12: Results from the company survey: *Please indicate how familiar they are with the following concept*



2.5.3 Unintended effects

The interviews conducted during the evaluation did not mention any unintended effects as a result of the investments made.

2.6 Sustainability

This criterion assesses the extent to which the results achieved can be sustained over time after repayment of the loans and the end of the technical assistance, taking into account the observed or foreseeable risks.
Is AfricaConnect enabling lasting change?

Summary: Qualitative data suggests a positive shift towards sustainable production methods and improved compliance with environmental and social standards due to the programme's holistic approach. Regarding the durability of results, it is important to note that most companies had not completed the 7-year credit period at the time of the evaluation. While several risks have been mentioned by companies that could pose a threat to results achieved through the investments, the loan-based financing as well as social, environmental, and economic viability requirements however have the potential to ensure lasting results. The programme's sustainability strategy and focus on impact and transformation areas could also further enhance long-term sustainability.

Insofar as this is an interim evaluation and most loans granted under the programme have a duration of between five and seven years and have not yet been completed, only an initial estimate concerning the sustainability of the programme is possible. The corresponding assessment is primarily based on a qualitative analysis of data drawn from interviews with companies. The assessment focuses on 1) the programme's contribution to building sustainable capacity of businesses in the area of E&S criteria compliance and monitoring and 2) the identification of factors that may contribute to or hinder the durability of results over time.

2.6.1 Contribution to sustainable capacities and production approaches

The evaluation sought to assess the programme's contribution to strengthening the capacity of companies, particularly in terms of compliance and monitoring of sustainability and impact criteria. Based on the qualitative data collected, it can be reasonably stated that the programme has contributed to this strengthening, in several respects. **Firstly, the analysis of qualitative data from interviewed companies and other stakeholders points to a positive evolution of the importance of sustainable production methods among companies** (in economic, social and environmental terms). Moreover, companies showcase an increased willingness to achieve a positive and sustainable impact in the countries of investments. As described in the effectiveness chapter, many beneficiary companies were already committed to pursuing more sustainable modes of production and developing their internal capabilities to meet E&S standards and achieve sustainable impact in investment countries. In some cases, the loan contracted through AfricaConnect was linked to investment objectives directly related to more sustainable production approaches. In other cases, companies have developed sustainability objectives through the AfricaConnect loan and collected experience in implementing E&S processes through the AfricaConnect monitoring requirements.

Furthermore, through its holistic approach[22], the programme plausibly plays a catalytic role, enabling companies to improve their compliance performance with E&S standards towards the achievement of environmental and social sustainability objectives. As the programme carries out additional, in-depth assessments of the various E&S aspects in the different sectors, it provides additional expertise and technical support. Many companies assessed this as a driving force and additional impetus to pursue compliance and sustainable impact (see effectiveness chapter). In addition, as confirmed by some companies, the in-depth monitoring required by the programme also meant the establishment of necessary processes and allocation of appropriate resources internally. **Although sometimes considered challenging, it is plausible that this further supported the anchoring of compliance and monitoring mechanisms within the companies.** Moreover, compliance with sustainability on environment and social aspects also represents a quality feature that can generate economic added value for companies.

[22] Taking into account economic, social and environmental sustainability aspects.

2.6.2 Durability of the results over time

Regarding the durability of results over time, it is to be noted that, at the time of the evaluation, most companies have not completed the seven-year credit period. Furthermore, the evaluation did not assess the type of jobs created (or to be created) in the framework of the investments (e.g. the share of long-term jobs). **Although companies have expressed confidence in their ability to maintain the results achieved through their investments, risks were mentioned that could hinder the durability of the results**. Overall, risks mentioned by the companies related to energy supply issues (such as the electricity crisis in South Africa), political instability within the investment countries, climate change (particularly in the agrobusiness and forestry sectors), global crisis (such as the Covid-19 pandemic) and global political and economic events (leading to economic crisis, difficulties in accessing resources and logistic and supply chain problems). These risks could have a negative impact on achieved results, particularly on the companies' ability to preserve the jobs created.

However, analysis of the qualitative data shows that several factors, related to the nature of certain investments, but also to the specific features of the programme, could plausibly strengthen the durability of (to be) achieved results over time. Firstly, several of the investments made through the programme are directly linked to energy or resource-saving facilities (e.g. photovoltaic or water recycling plants), making the companies' production more sustainable. Secondly, other companies have confirmed being able to strengthen their growth through the investment, reinforcing future economic stability to preserve and potentially create new jobs. Anecdotal evidence drawn from interviews also shows that certain types of risks can be addressed through companies' engagement in investment countries (e.g. overcoming the lack of qualified personnel through trainings on site, cooperation with training institutes, etc.).

In terms of the programme's specific features, factors have been identified as likely to contribute to the durability of the results. For example, certain cases, the AfricaConnect Covid-19 response has made it possible to preserve jobs previously created via an investment supported by the programme itself, or vice versa. In addition, the seven-year credit period and, in some cases, consecutive support for several companies[23], allows for a deepening of the E&S compliance and ongoing monitoring. Additionally, the very nature of the financing (loan) and the economic objectives linked to the investment (they must be economically viable) contribute to reinforcing the stability and lasting nature of the results achieved. Finally, the programme's adoption of a sustainability strategy and the introduction of impact and transformation areas have a positive effect on this dimension.

3 Conclusion and recommendations

3.1 Key findings

The evaluation has shown the **high relevance** of the programme's approach. The AfricaConnect programme stands as a well-structured initiative and new investment promotion instrument that aligns with the strategic objectives of BMZ, addressing the overarching goal of promoting private sector investment in Africa. One of the project's success factors lies in its subsidiary approach and the filling of a financial gap. The programme's design, through its specific financing features, responded well to its target groups' needs.

The AfricaConnect programme maintains **strong internal coherence** within the DEG structure while also integrating with the organization's overarching objectives. It operates in alignment with DEG's core mission and complements other programmes, signifying a cohesive and coordinated approach within the agency. Externally, AfricaConnect seems to be innovatively positioned within the European landscape for SME investment support in Africa. Its added

value includes specific features for small and medium-sized enterprises, as well as its verification processes and follow up of E&S criteria fulfilment.

The assessment of outcome indicators reveals that the programme achieves or is likely to **achieve its expected results**. Although it is still too early to assess all the results achieved through investments, the programme has been able to integrate a steady number of investments into its portfolio and thereby achieving positive results in terms of job creation and preservation. Its holistic approach to investments as well as an adaptative management and close monitoring of supported companies have contributed to the programme's effectiveness.

With an average cost-benefit ratio that reflects positively on job creation and preservation, the programme optimizes resources and yields returns on investment. However, certain factors, such as consecutive funding for specific companies and potential inconsistencies in provided data concerning job creation targets, may influence data accuracy. Nonetheless, AfricaConnect's performance in terms of **efficiency remains high**.

The programme takes a **comprehensive approach to sustainability**, emphasizing the importance of sustainable production methods and compliance with environmental and social standards. Qualitative data suggests that the programme's holistic approach has engendered positive shifts in this direction. The programme's reliance on loan-based financing and adherence to economic viability requirements further reinforce the sustainability of its results. Additionally, the incorporation of a sustainability strategy and a focus on impact and transformation areas represents an additional potential to strengthen the investment’s results long-term sustainability and alignment with global developmental objectives.

3.2 Recommendations

Several learning points emerge from the above-mentioned findings and results that might help to improve the implementation and success of the AfricaConnect programme.

- **AfricaConnect should assess to extend its offer to further regions outside of Africa and further strengthen its outcome-based financing approach**. The results of the programme in fostering employment, CO2 mitigation and fair supply chains should be mirrored in other regions of the world, also due to the high relevance and attractiveness of the investment vehicle for its beneficiary companies.
- **AfricaConnect should assess the possibility to offer larger investments**. While the current loan ranges from 750.000 EUR to 5 million EUR are catering to an underserved market, an extension of the range could be envisaged on the basis of the individual characteristics of the projects of the companies concerned. Increasing the financing available to German, European and local companies active in Africa could address both the financing needs of the respective companies as well as the development needs in the target countries.
- **The programme should continue with the rigorous screening and due diligence process of possible investees**. The currently employed investee assessment and screening as well as the due diligence process represents a success factor for the generated impact as well as the economic sustainability in regard to the repayment ability of the loan taking companies.
- **AfricaConnect should continue to ensure that technical support is provided, particularly in relation to environmental and social management issues**. The provided support enables the beneficiary companies to improve their social and ecological strategies (also along the supply chain).
- **The programme should assess the possibility of supporting further locally owned companies** with a relationship to German or European companies to achieve further impact.
- **The programme 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 AfricaCon-**

nect programme. The current set up enables the programme to leverage on extensive expertise on financial assessments, ESG and impact monitoring, knowledge of the different target countries, as well as a large network of stakeholders that AfricaConnect can call upon in different circumstances.

- **The programme should increase collaborations with other DC projects and measures**. While certain collaborations are already taken place, AfricaConnect should foster collaborations with other (German) development cooperation programmes in order to identify untapped synergies at the level of shared impact targets. Closer collaborations could, for instance, be with derived with the other DFIs, DEG, AWE and the HelpDesk for example, to jointly support companies in the area of training and job creation.
- **The programme should conduct a more detailed impact study** to obtain a more detailed assessment of the impacts and structuring effects at the level of the companies supported, in particular indirect effects.

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