

Ex-Ante Evaluation Report

Overseas Investment and Loan Division
Private Sector Partnership and Finance Department
Japan International Cooperation Agency (JICA)

1. Name of the Project

Country: Asian countries¹

Project: Covid-19 Emerging & Frontier Markets MSME Support Fund

Signing Date: November 5, 2020

Investee: COVID-19 Emerging & Frontier Markets MSME Support Fund

2. Background and Necessity of the Project

(1) Current State and Issues of the MSME Sector in Asian Countries

It is expected that the number of unemployed people in the world will increase by up to about 25 million owing to the pandemic of the Coronavirus disease 2019 (hereinafter referred to as "COVID-19"). In particular, COVID-19 has had a large impact on micro, small and medium enterprises (hereinafter referred to as "MSMEs") with a weak business base (International Labor Organization (ILO), 2020). In the Asia-Pacific region where MSMEs account for 96% of enterprises and 62% of employment (Asian Development Bank, 2018), they underpin the economy and employment in the region. Those MSMEs are facing cash flow issues due to the decline in revenue, which was caused by the decelerating economic activities. In particular, female-run businesses have been significantly affected because they traditionally have poor financial access in a more vulnerable situation, (UN WOMEN, 2020). In addition, the employment situation is becoming worse for women who often work in informal sectors with lower wages than men. Under these circumstances, it is an urgent issue to meet the financial needs of MSMEs focused on female-run businesses and support women's employment. Against these backdrops, financial institutions such as microfinance institutions (hereinafter referred to as "MFIs") play an important role as fund providers to MSMEs (ILO, 2020)

The Project aims to improve financial access as well as maintain employment for MSMEs with a specific gender lens on female run businesses, by providing funds through MFIs that are financed by the Covid-19 Emerging & Frontier Markets MSME Support Fund (Hereinafter referred to as the "Fund"). The Fund is managed by BlueOrchard Finance Ltd (hereinafter referred to as "BO"), who has been actively working on women's financial access and empowerment as an experienced fund manager in the microfinance space.

¹ The Fund targets "Global" while JICA fund will be earmarked for Asian countries.

(2) Japan's and JICA's Cooperation Policy for the MSME Sector

The Japan's FY2019 Priority Policy for Development Cooperation for Asia and Oceania prioritizes providing support in the area of women. In addition, the Development Strategy for Gender Equality and Women's Empowerment (May 2016) formulated based on the Development Cooperation Charter (February 2015) advocates women's economic empowerment through supporting women entrepreneurs, providing small-scale financial services such as microfinance which may provide deposit and insurance services, and promoting women's participation in local industries and the "One Village One Product" initiative. Furthermore, in the Position Paper on Goal 5 of the SDGs announced in 2017, JICA prioritizes women's empowerment that includes improvement of access to funding for their economic activities.

The Project strives to improve financial access as well as maintain employment for MSMEs with a specific gender lens on female run businesses. This is consistent with the assistance policies of Japan and JICA and can contribute to Goal 5 (gender equality), Goal 8 (improvement of access to financial services), and Goal 17 (partnerships) of the SDGs.

3. Project Description

(1) Project Objective

The Project aims at improving financial access, maintaining employment and supporting MSMEs affected by COVID-19 in Asia, by expanding financing to MFIs with a focus on the empowerment of women.

(2) Project Site / Target Area

Asian countries

(3) Project Components

① Investment amount:

US\$35 million

② Project description:

The Project aims at improving financial access for MSMEs in Asia under the COVID-19 pandemic focused on female-run businesses and maintain employment in the region, by providing funds through the MFIs that are financed by the Fund.

③ Estimated project cost:

US\$350 million (estimated at the completion of final closing)

(4) Schedule

The first closing was completed in December 2020 and final closing is scheduled for the end of December 2021. The fund is to be terminated seven years after the

first closing (can be extended by up to two years).

-Investment period of five years (December 2020 to December 2025)

-Redemption period of two years (December 2025 to December 2027)

(5) Environmental and Social Consideration / Poverty Reduction / Social Development

1) Environmental and Social Consideration

① Category: C

② Reason for Categorization:

This project is considered to have minimal undesired impact on the environment according to the Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations (promulgated in April 2010).

2) Promotion of Poverty Reduction

Poverty reduction will be accelerated by expanding financial services including deposits and borrowings for the poor.

3) Classification of Gender Related Projects

【Gender related projects】 ■GIPs (Projects that mainly benefit women)

Reason for Categorization

The Project will expand financial services for women and encourage them to participate in economic activities. In addition, it will promote the improvement of economic and social welfare standards as women use financial services.

4. Targeted Outcomes

(1) Quantitative Effects

Indicator	Baseline (Actual Value in 2020)	Target Value (2027) 【Fund closing year】
Number of MSMEs served by MFIs in the Fund in Asia (Unit: million)	0	2.8
Number of jobs maintained in Asia (Unit: million)	0	60
Average percentage of women clients of MFI served through the Fund in Asia (%)	-	>=75

(2) Qualitative Effects

Improving financial access for MSMEs, maintaining employment and empowering women

5. Lessons Learned from Past Project

We have learned from the ex-post evaluations of JICA's past investments in fund projects that it is necessary to confirm through reviewing investment pipelines of the fund that there will be enough investment opportunities. Through the due diligence process, we confirmed that there are sufficient amount of pipelines, half of which consists of existing BO clients.

6. Evaluation Results

The project is relevant to the issues of improving women's financial access in developing regions and is consistent with the Japanese Government's and JICA's development cooperation policies. It will also contribute to achieving three of the SDGs: Goal 5 (gender equality), Goal 8 (improvement of access to financial services) and Goal 17 (partnerships). Therefore, the Project is of significance and needs to be implemented.

7. Plan for Future Evaluation

(1) Indicators to be Used

As described in the Section 4 above

(2) Timing

Immediately after the end of the Fund (2027)

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