Ex-Ante Evaluation(for Japanese ODA Loan)

Private Sector Investment Finance Division

Private Sector Partnership and Finance Department

Japan International Cooperation Agency

1． Name of the Project

（1） Country: Africa Region, Asia Region

（2） Project Name: Fintech Start-ups Growing Support Project

（3） Project Site / Target Area: Africa Region, Asia Region

Loan Agreement: August 18, 2022

2. Background and Necessity of the project

（1） Current state and issues of the fintech sector and the Priority of the Project in African and Asian regions

As a result of widespread social isolation and urban blockades due to the global outbreak of the new coronavirus and other factors, the number of digital financial services app downloads per day has rapidly expanded from approximately 10,000 per million before the new coronavirus to approximately 17,000 per million after the new coronavirus (Jonathan Fu/Mrinal Mishra, 2022). The future market size (total digital payment-related sales) is projected to grow from US$68.6 billion in FY2021 to over US$363.1 billion in FY2030 (Grand View Research, 2021).

According to the Global Findex 2021 published in June 2022 (World Bank ("World Bank"), 2021), there are approximately 1.4 billion adults worldwide without access to formal financial services. According to the Global Findex 2021, released in June 2022, there are approximately 1.4 billion adults worldwide who lack access to formal financial services.

In Africa, it has been pointed out that the ownership of bank and mobile accounts is below 50% in many countries, with the exception of some countries such as Mauritius, Kenya, and South Africa, and improving access to finance is an urgent issue (Japan External Trade Organization, 2021). Trade Organization, 2021). On the other hand, it has been pointed out that the expansion of financial access through mobile accounts is expanding financial inclusion due to the limitations of financial inclusion through bank accounts (World Bank, 2022).

In Asia, 98% of the population aged 15 and over have bank accounts in Singapore, 96% in Thailand, and 88% in Malaysia, while only 52% in Indonesia, 51% in the Philippines, 16% in Bangladesh, 4% in Pakistan, and so on. The number of people who have borrowed from financial institutions is also 13% in

Indonesia, 19% in the Philippines, and so on (World Bank, 2021). Especially in low- and middle-income countries, traditional forms of banking alone do not provide sufficient access to finance, and low-income groups and small and micro businesses have limited access to finance. This is due to factors such as credit risk issues, physical access to financial institutions, high monitoring costs by financial institutions after extending credit, and the lack of collateral by financial institutions to serve as collateral to protect their claims. Therefore, access to finance through non-traditional finance and the fintech that supports it are highly important (Asian Development Bank ("ADB"). , 2022).

Access to finance for low-income households and small and micro businesses is accelerating through digital financial services using fintech, a cross between finance and technology, such as mobile money and online banking (International monetary fund ("IMF")). IMF") (IMF, 2020). Recent reductions in credit costs through the use of big data and machine learning, reductions in remittance costs through the use of digital technology, and the creation of platforms that match lenders and borrowers have led to the creation of services that enable low-income households and small and micro businesses in developing country regions to gain access to finance. For fintech companies that develop and provide such financial services to create and expand innovative services, financing challenges have been pointed out, especially in the early stages of startups (IMF, 2020). Globally, a total of US$210 billion will be invested in the fintech sector in 2021 in 5,684 deals, a 1.4-fold increase in both value and number terms from US$148.6 billion and 4,038 deals in FY 2018, before the new coronavirus outbreak (KPMG, 2022). On the other hand, investment funds for early-stage startups in low- and middle-income countries (excluding China and India) (i.e., investments in all sectors, including non-Fintech) amounted to about US$8,512 million (average for the past five years through 2020; GPCA, 2020), which is only about 4% of global investment funds exclusively in the FinTech sector. This is only about 4% of the global FinTech investment. The high risk involved in investing in early-stage startups in particular makes it difficult to attract funds (World Bank, 2021).

The project aims to expand digital financial inclusion in the region, particularly by providing financing to fintech companies that address the development challenges of improving access to finance, particularly those operating in low- and middle-income countries in Africa and Asia, where access to finance is scarce, and which require financing in the early stages of their start-up.

（２）**Japan’s and JICA’s Policy Cooperation Policy and Operations in the fintech Sector**

At the G20 meeting held in December 2010, the participating countries, including the Government of Japan, affirmed the "critical importance of expanding access to financial services to individuals and small and medium-sized enterprises in the developing world" and launched the Global Partnership for Financial Inclusion (GPFI). 2022 The February 2022 statement of the G20 Finance Ministers and Central Bank Governors expressed support for further work on the GPFI. In addition, at the 105th meeting of the World Bank/IMF Development Committee, the Government of Japan mentioned the importance of digital financial inclusion.

JICA's position paper on Goal 1 of the SDGs, released in 2017, includes the promotion of mainstreaming poverty eradication cooperation, strengthening the financial inclusion perspective, and promoting collaboration with all stakeholders, including the private sector, and this project is consistent with these policies. In addition, JICA is a participating member of the "2X Challenge: Financing for Women" adopted by the G7 and development finance institutions in June 2018, which aims to mobilize a total of US$15 billion in 2021-2022 for projects that contribute to women empowerment. Lendable, the company that will make the investment, is a member of "2X Challenge: Financing for Women. Lendable's investment will contribute to the goals of the "2X Challenge: Financing for Women," which also emphasizes a gender perspective.

（３）**Other Donors’ Activity**: None in particular

3. Project Description

（１）Project Description

① Project Objectives

Through the investment in Lendable's No. 4 Fund, this project aims to improve access to finance for small and micro businesses and low-income people in Africa and Asia by providing loans to fintech companies in the early stages of their establishment, thereby contributing to job creation and poverty reduction.

② Project Components

(i) Investment amount: USD 10 million

(ii) Outline of the Project Plan: The investment is in Lendable's fourth fund

(Lendable MSME Fintech Credit Fund), which provides loans to early-stage companies working to improve access to finance in developing regions of Africa and Asia.

③ Project Beneficiaries （Target Group） :Micro, small and medium enterpriesse and low-income earners without access to finance in Africa and Asia

（２）Estimated Project Cost

USD100 million

（３）Schedule

Fund term : Five years and nine months from August 2021 (first close) (until May 2027)

（４）Project Implementation Structure

① Invested in: Lendable S.A., SICAV-RAIF

② Project implementing agency: Lendable S.A., SICAV-RAIF

（５）Collaboration and Sharing of Roles with Other Donors: None in particular.

（６）Environmental and social considerations

① Category Classification: C

② Basis for categorization: The project is judged to have minimal undesirable impact on the environment and society under the "Guidelines for Environmental and Social Considerations of the Japan International Cooperation Agency" (promulgated in April 2010).

③ Other: Main use of funds is for capital investment necessary for agricultural production

（７）Cross-cutting issues: none in particular.

（８）Gender Category:.

[Gender Case] ■GI(S) (Gender Activity Integration Case)

<Activity/Reason for classification

The investee of this project has a policy of making impact investments that include a gender perspective. They have already met the direct criteria in terms of the ratio of women in senior management, the ratio of women on the board of directors or investment committee, and the ratio of women in the number of employees. In addition, the percentage of indirect criteria that meet the direct criteria among the investee companies also exceeds 30%, making the 2x challenge applicable.

（９）Other important issues: None in particular.

4. Targeted Outcomes

（１） Quantitative Effects

indicator	Baseline (Actual value in 2021)	Target (2025)
Number of companies financed by the Fund	0	30
Total Fund Loans (Millions of Dollars)	0	123
Total number of beneficiaries of companies financed by the Fund	0	1,400,000
Total number of women among beneficiaries of companies financed by the Fund	0	420,000
The number of first-time external borrowers for the fund's portfolio companies	0	14

（２） Qualitative effects

Improved access to financial services to increase incomes and living standards

5. External Factors and Risk Control

None in particular.

6. Lessons Learned from Past Projects

（１）Evaluation results of similar projects

In the Local Enterprise Development Fund project in India, it is necessary to fully confirm that investment targets are secured through checking the pipeline list consisting of potential investment projects, and the authority to evaluate the capacity of the fund manager as an investor and the authority to replace the fund manager as necessary. The lesson learned is that it is effective to ensure in advance that the fund manager as an investor has the authority to evaluate the performance of the fund manager and the authority to replace the fund manager if necessary.

（２）Lessons Learned for the Project

With regard to the lessons learned above, the Fund plans to obtain the pipeline list in advance and conduct screening to mitigate such risks. In addition to the evaluation of the investment team's capabilities during the screening, the Fund plans to obtain the right to replace the investment team under certain conditions in the contract and other documents.

7. Evaluation results

This project is in line with the issues and policies related to access to financial services and the assistance policies of Japan and JICA, and will contribute to Goals 1 "Securing financial services including microfinance" and 8 "Improving access to financial services" of the SDGs and Goal 9 "Promoting industrialization through expanded access to finance. Therefore, it is highly significant to support this project.

8. Plan for Future Evaluation

（１）Indicators for future evaluation

As per 4.

（２）Future evaluation schedule

Ex-Post evaluation scheduled for 2026.

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