

Ex-Ante Evaluation
Private Sector Investment Finance Division1,
Private Sector Partnership and Finance Department, JICA

1. Name of the Project

- (1) Country: Republic of Kazakhstan (“Kazakhstan”)
- (2) Project site/area name: Kazakhstan
- (3) Project name: Support Project for Micro, Small and Medium Enterprises in Kazakhstan
- (4) Borrower: Limited Liability Company «Microfinance Organization «KMF» (“KMF”)
- (5) Signing Date: February 19th, 2024

2. Background and Necessity of the project

- (1) Current status and issues of private sector in Kazakhstan

Kazakhstan's micro, small, and medium-sized enterprises ("MSMEs") play an important role in the country's economy, accounting for about 34% of the country's GDP (ADB, 2021) and 44% of the working population (in the third quarter of 2022). On the other hand, the financing gap, which represents the difference between potential financing demand and actual financing supply for MSMEs in the country, is as large as \$42.3 billion, which is one of the challenges for the growth of MSMEs (SME Finance Forum, 2023). In addition, women-owned MSMEs account for only 24% of the country's MSMEs due to lack of access to finance, and the financing gap for these women MSMEs is estimated to be over US\$5.5 billion (SME Finance Forum, 2023). Also, only 12% of Kazakhstan's MSMEs have access to bank loans for small firms and 28% for medium-sized firms (World Bank, 2019).

The government of Kazakhstan, in its "Kazakhstan 2050 Strategy" announced in 2012, has stated that Kazakhstan aims to become one of the world's top 30 developed countries by 2050, and has taken steps to modernize its economy and strengthen its international competitiveness. One of the most important key issues is to strengthen and expand the non-oil sector, including support for MSMEs as a driving force in the country's economy. In addition, based on the "Concept of Family and Gender Policy until 2030" announced in 2016, the country is working on gender equality by promoting women's labor participation, and improving women's leadership.

This project aims to improve access to finance for MSMEs through KMF by providing loans to MSMEs, including women-owned businesses, which is

consistent with the challenges of the sector and the policy of the Government of Kazakhstan.

(2) Japan and JICA's Policy and Operations in the Private Sector

On May 20, 2023, at the G7 (Group of Seven) Hiroshima Summit—at the Partnership for Global Infrastructure and Investment (“PGII”) side event, Prime Minister Kishida expressed his commitment to contribute to the sustainable development of partner countries through public and private infrastructure and announced plans to establish a new line of credit totaling US\$4 billion to support climate change vulnerable countries, food security, MSMEs, and women. Based on this, JICA established the Facility for Accelerating Financial Inclusion (“FAFI”) on May 22, 2023. This project will improve access to finance for MSMEs, including women-owned businesses, in Kazakhstan, which is consistent with the objectives of the FAFI.

Japan's Country Development Cooperation Policy for the Republic of Kazakhstan (2017), stated its aim to move away from a resource-dependent economy through industrial diversification in line with the "Kazakhstan 2050 Strategy", and its priorities include supporting business activities and improving social security. As this country also faces challenges such as regional economic disparities, the Country Development Cooperation Policy set out to strengthen measures to address these issues and to support sustainable growth. JICA has been cooperating in the promotion of MSMEs through the dispatch of business promotion advisors, support for the activities of the Kazakhstan-Japan Human Resources Development Center, and technical cooperation in the "Promotion of Local Industries in Central Asia through the One Village, One Product Project". As this project aims to improve access to finance for MSMEs in Kazakhstan through co-financing with the European Bank for Reconstruction and Development ("EBRD") to expand financing to KMF, the largest MFI in Kazakhstan, it is in line with the policy of the Government of Japan.

In addition, the project is expected to contribute to SDG Goals 5 (gender equality), 8 (increasing access to financial services), 9 (promoting industrialization by expanding access to finance for SMEs), and 17 (increasing access to finance for women-owned enterprises), as the project will contribute to sustainable economic growth in Kazakhstan and reduce regional disparities by improving access to finance for MSMEs, including women-owned enterprises.

3. Project Description

(1) Project Description

① Project Objectives

This project will improve access to finance for MSMEs, including women-owned businesses, in Kazakhstan by providing loans to KMF, thereby contributing to the promotion of MSMEs and sustainable economic growth in the country.

② Project Components

Through the bank loan to KMF, the project will improve access to finance for MSMEs including women-owned businesses. At least 30% of the JICA loan will be used for loans to MSMEs owned by women.

③ Project Beneficiaries (Target Group)

MSME including women owned businesses in Kazakhstan

(2) Estimated Project Cost: About 85 million USD (JICA loan 50 million USD)

(3) Schedule: February 2024 - February 2027

(4) Project Implementation Structure

(1) Borrower: KMF

(2) Execution Agency: KMF

(5) Collaboration and Sharing of Roles with Other Donors

(1) Japan's Activity: N/A

(2) Other Donor's Activity: Co-finance with EBRD

(6) Environmental and Social Considerations

① Category: C

② Reasons for Categorization: It is judged under the JICA Environmental and Social Considerations Guidelines (promulgated in January 2022) that the undesirable effects of the Project on the environment are minimized.

(7) Cross-cutting issues: N/A

(8) Gender Classification:

Gender-related Projects GI(S) Gender Activity Integration Projects

Since the number of women-owned MSMEs in Kazakhstan is only 24% of the total and there is a financing gap, the project plans to increase the amount of loans to women-owned businesses to at least 30% of the total.

In addition, this project plans to apply for 2X Challenge certification because it meets the 2X criteria under the direct criteria (5 out of 6 executive officers are women (as of the end of 2022)) and the indirect criteria (at least 30% of the

amount of loans to such borrowers are for women-owned MSMEs).

(9) Other special notes: N/A

4. Targeted Outcomes

(1) Quantitative Effects

Indicator	Baseline (2022)	Target(2025) 1 year and 10 months after L/A signing
Amount outstanding to MSMEs (in million tenge)	206,655	326,976
Number of MSMEs borrowers	257,297	315,960
Volume of loans disbursed to 2X Eligible MSMEs using JICA loans (in million USD)	0	15

(2) Qualitative effects

Improving MSME financial access. Promoting MSMEs and maintaining and increasing employment.

5. assumptions and external conditions

N/A

6. Lessons Learned from Past Projects

In the ex-post evaluation results of ODA loan to Egypt, the Micro and Small Enterprises Support Project (FY 2016), JICA learned the lesson that it is important to understand the loan implementation system of the implementing and intermediary lending institutions when forming a project for a similar project supporting loans to micro and small enterprises. In this project, KMF's screening and risk management capacity was closely examined through the screening process, and it was confirmed that there were no particular concerns.

7. Evaluation Results

This project is in line with the country's development issues and policies, as well as the cooperation policy and analysis of Japan and JICA, and will contribute to improving access to finance for MSMEs including women-owned businesses in the country by supporting KMF's financing expansion, which is considered to contribute to SDG Goals 5 (gender equality), 8 (improving access to financial services), 9 (promoting industrialization by expanding access to finance for small businesses), and 17 (partnership).

8. Plan for Future Evaluation

(1) Indicators to Be Used: As shown in Section4

(2) Future evaluation schedule(estimate)

Ex-post-evaluation is planned approximately 2 years after L/A signing

END