

Ex-Ante Evaluation

Private Sector Investment Finance Division 2, Private Sector Partnership and Finance Department, Japan International Cooperation Agency

1. Name of the Project

- (1) Country: United Republic of Tanzania ("Tanzania")
- (2) Project Site/Target Region Name: Tanzania
- (3) Project: Micro, Small and Medium Enterprises Support Project
- (4) Borrower: NMB Bank Plc. ("NMB")
- (5) Signing Date: June 26, 2025

2. Background and Necessity of the Project

- (1) Current State and Issues of the MSME Sector in Tanzania

MSMEs in Tanzania account for approximately 35% of the country's GDP (2022) and employ about 70% of the workforce (National Bureau of Statistics, 2019; Third National Five-Year Development Plan, 2022), playing a vital role in the Tanzanian economy. However, only about 20% of MSMEs have bank accounts, and the estimated funding gap is approximately 13% of GDP. Improving financial access is therefore an urgent priority for promoting MSMEs, which is essential for the country's further economic development.

Under these circumstances, in 1991, the Government of Tanzania formulated the "National Development Vision 2025" as its development strategy, identifying the promotion of MSMEs as a key priority within this strategy. In addition, a five-year rolling plan was formulated in 2011 to achieve the above vision. The Third National Five-Year Development Plan (FY2021/2022–FY2025/2026) promotes public works projects aimed at strengthening the business management capabilities of MSMEs and improving their access to finance, while also advocating for enhanced financial access through domestic financial institutions.

Furthermore, while the agricultural sector is Tanzania's backbone industry, accounting for approximately 65% of total employment (2019, World Bank) and about 26% of GDP (2021, World Bank), the number of MSMEs by sector shows that those related to agriculture ("Agricultural MSMEs") represent the highest share at 56% of the total. The Government of Tanzania positions agriculture as a particularly important sector within the

context of promoting MSMEs in the aforementioned five-year plan and the Small and Medium Enterprise Development Policy, and is promoting support to further improve financial access for enterprises in this sector.

While women-managed MSMEs ("WMSMEs") constitute 54.3% of the total, the sales are 46% lower than those managed by men. Factors contributing to this include barriers to accessing bank loans and opening bank accounts (World Bank, 2022). Therefore, from the perspective of addressing income inequality, gender sensitivity is a critical issue in MSMEs promotion.

NMB is a major private commercial bank operating nationwide in Tanzania, and actively engages in lending to the MSMEs sector, including women entrepreneurs and the agricultural sector. The project aims to improve financial access for MSMEs through lending to NMB in Tanzania, aligning with the challenges of this sector and the Government of Tanzania's policies.

(2) Japan's and JICA's Cooperation Policy for the Private Sector in Tanzania

The Japan's "Japan's Country Development Cooperation Policy for the United Republic of Tanzania " (2017) identifies " Nurturing and expanding the base of sectors that drive economic growth" as a priority area, committing to efforts such as improving the business environment and fostering a dynamic corporate sector through KAIZEN and other measures. The JCAP (Country Analysis Paper) also highlights the necessity of financial access for industrial promotion. This project aligns with these policies and analyses.

Within JICA's Global Agenda, it aligns with "Private Sector Development," specifically "Improve the external environment for private enterprise growth, and enhance financial access and market access". It also contributes to the Africa KAIZEN Initiative's "Enhancing Financial Access Capacity". In addition, this project aligns with the Facility for Accelerating Financial Inclusion (FAFI) and the Facility for Supporting Agricultural Supply Chain and Food Security Enhancement (SAFE), whose establishment was announced by Prime Minister Kishida at a side event on the G7 Global Infrastructure Investment Partnership in May 2023.

3. Project Description

(1) Project Description

① Project Objective

The project aims to improve access to finance for MSMEs, including women entrepreneurs and the agricultural sector in Tanzania, by providing long-term loans to NMB, thereby contributing to the promotion of MSMEs and the agricultural sector in Tanzania, as well as to the sustainable economic growth in the country.

② Project Components

The project provides loans to be sub-loaned through NMB to MSMEs throughout Tanzania. At least 30% of JICA Loan will be utilized for loans to WMSMEs and 30% for loans to Agricultural MSMEs.

③ Project Beneficiaries (Target Group)

MSMEs throughout Tanzania

(2) Estimated Project Cost: US\$110 million (JICA loan US\$50 million)

(3) Schedule: June 2025 to June 2032

(4) Project Implementation Structure

Borrower and Executing Agency: NMB

(5) Cooperation and Sharing of Roles with Other Donors

1) Japan's Activities: JICA has been implementing the "Project on Strengthening Manufacturing Enterprises through Quality and Productivity Improvement (KAIZEN) - Phase 1" (2013–2016) and the "Project on Strengthening Manufacturing Enterprises through Quality and Productivity Improvement (KAIZEN) - Phase 2" (2017–2022), and currently the "Project on Strengthening Enterprises through Business Development Service ("BDS") and Quality and Productivity Improvement (KAIZEN)" (2023–2027), and the project will seek collaboration with these JICA's technical cooperation project. Under the past Phase 1 and Phase 2 projects, KAIZEN trainers were trained to guide MSMEs in improving quality and productivity (KAIZEN) at manufacturing sites. The above ongoing project (2023-2027) has trained KAIZEN trainers in Zanzibar and developing BDS providers capable of delivering comprehensive instruction in management areas (financial management, business strategy, human resource management, marketing) on the Tanzanian mainland. The project aims to enhance the competitiveness of MSMEs by introducing KAIZEN and BDS services to NMB Bank's MSME customers. It provides both financial and non-financial support, including assistance with preparing financial documents and business plans prior to loan approval, and post-loan advisory services through BDS on effective loan utilization.

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

(6) Environmental and Social Consideration

Environmental and Social Consideration

① Category Classification C

② Reason for Categorization: The project is judged to have minimal undesirable effects on the environment under the "JICA Guidelines for Environmental and Social Considerations (promulgated in January 2022).

(7) Cross-Sectoral Issues: N/A

(8) Gender Category: GI(S): Gender-Integrated Project

<Reason for Classification> In Tanzania, while WMSMEs account for a relatively high 54.3% of all MSMEs, their sales are 46% lower than those of male-owned MSMEs. Access to bank loans and accounts is a barrier contributing to this disparity. In response, this project sets a target of at least 25% of loans for WMSMEs, an improvement over the current level of approximately 13%, thereby contributing to improving financial access for WMSMEs.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

Indicator	Baseline (as of March 2024)	Target (as of December 2027) 【3 years after signing the Loan Agreement】
Total outstanding amount of Eligible MSME Loans (million TZS)	1,291,075	2,161,474
Of which, Eligible Agricultural MSME loans (million TZS)	520,989	878,119
Of which, Eligible WMSME Loans (million TZS)	91,084	143,322

Total number of new loans to Eligible MSME which the Borrower provides loans from JICA Facility	0	51
Total number of new loans to Agricultural Eligible MSME which the Borrower provides loans from JICA Facility	0	25
Total number of new loans to Eligible WMSME which the Borrower provides loans from JICA Facility	0	26

- (2) Qualitative Effects: Promoting MSMEs through productivity improvement, income maintenance and growth, and employment maintenance and expansion, including female entrepreneurs and the agricultural sector.

5. External Factors and Risk Control

N/A

6. Lessons Learned from Past Projects

In some previous Private Sector Investment Finance projects to financial institutions in the African region, risks have been identified including the deterioration of non-performing loans (NPLs) affected by the COVID-19 pandemic and the resulting decline in profitability. Loans subject to repayment deferral measures introduced by the government carry the risk of becoming NPLs, necessitating close monitoring of future developments.

The proportion of loans receiving government repayment deferrals due to the COVID-19 pandemic within NMB's outstanding loan balance temporarily increased from 2020 to 2022. However, it has gradually decreased through 2023 and as of the latest period ending March 2024. Our review confirmed that NMB maintains rigorous credit risk management. Considering NMB's established internal credit management framework, this project assesses the risk of non-performing loans arising from debts subject to repayment deferral measures as limited.

7. Evaluation Results

As described above, this project meets Tanzania's development challenges,

development policies, and Japan's cooperation policy, is recognized as necessary, has an appropriate project plan, and has a good prospect of being accomplished.

8. Plan for Future Evaluation

(1) Indicators for Future Evaluation

As indicated in Section 4.

(2) Future Evaluation Schedule

Ex-post evaluation is planned approximately 3 years after L/A signing.

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