

## 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: Republic of Peru (hereinafter referred to as "Peru")
- ( 2 ) Project Site/Target Region Name: the whole territory in Peru
- ( 3 ) Project Name: Project for Support Women-led Micro and Small Enterprises in Peru ("Project")
- ( 4 ) L/A Signing Date: December 5, 2025

#### 2. Background and Necessity of the Project

##### (1) Current State and Challenges of the Micro and Small Enterprises Sector in Peru and the Background of the Project

In Peru, the gender gap in employment opportunities is a significant social challenge. The overall female employment rate in Peru is 64.77%, significantly lower than the male rate of 79.10%. Furthermore, regarding the gender income gap in Peru, the average income of women is only 74.1% of the average income of men, indicating a persistent large disparity. Peru ranks 79th globally in the comprehensive indicator of Women's Economic Participation and Opportunity.(2023, World Economic Forum).

Limited employment opportunities for women stem from the heavy burden of domestic roles traditionally assigned to women, such as housework, childcare, and caregiving. This makes full-time employment difficult in medium-sized and large companies or public institutions, where flexible working arrangements are often unavailable (2022, National Institute of Statistics and Geography, Peru).In contrast, microenterprises (businesses run by self-employed individuals) offer relatively flexible working arrangements and serve as a valuable means for women with families to secure necessary income for themselves and their households (2016, UKAID).In reality, 73.6% of Peru's economically active women work in microenterprises or are self-employed as sole proprietors. Including small enterprises, this proportion rises to 84.1%. Therefore, promoting micro and small enterprises (hereafter referred to as "MSEs") is considered crucial for improving women's employment opportunities and income. Access to finance is a major challenge for MSEs. While banks account for 80-

90% of the outstanding loans in Peru's financial sector regulated by the Superintendency of Banking, Insurance, and Pension Fund Administrators (Superintendencia de Banca, Seguros y AFP; hereinafter "SBS"), bank lending primarily targets large enterprises in the capital region and major cities. Loans to MSEs represent only 23.2% of Peru's total lending. The funding gap for micro, small and medium enterprises in Peru is estimated at \$8 billion (2022, IFC).

Simultaneously, for women-owned MSEs to succeed, it is crucial to provide not only financial support but also complementary and medium-to-long-term support. This includes training tailored to self-employment, improving the ability to manage household and business investments separately, and facilitating networking among market stakeholders (suppliers, wholesalers, retailers, etc.) and among MSEs themselves (UKAID, 2016). Support tailored to the characteristics of MSEs and regional specificities is required.

The Municipal Savings and Credit Institutions (Caja Municipal de Ahorro y Crédito, hereafter referred to as "CMAC"), institutionalized in 1980, have played a crucial role in improving financial access for MSEs. CMACs, with 12 institutions currently operating nationwide, specifically aim to expand credit for MSEs in rural areas. They allocate approximately 70% of their credit (equivalent to US\$6.6 billion) to loans for MSEs (as of November 2023, SBS). It is working to close Peru's estimated USD 8 billion (4.3% of GDP) financing gap for them (2022, IFC). Among these, Caja Municipal de Ahorro y Crédito de Arequipa (hereafter referred to as "CMA") is the largest financial institution within CMAC.

In recent years, CMA has set expanding lending to and enhancing support for women-owned MSEs as a corporate goal. It is the only Peruvian CMAC member of Women's World Banking, a global network promoting women's financial inclusion. Furthermore, in 2020, with support from IDB Invest, CMA issued a social bond specifically aimed at supporting women-owned MSEs. More than half of the CMA's MSE loan portfolio are for women-owned MSEs. CMA is also developing new financial products to advance women's financial inclusion. For example, it has introduced and expanded a lower-interest, unsecured loan program for women that eliminates the traditional requirement for spousal consent when borrowing. To reinforce these efforts, CMA provides a four-month business and financial education program for women entrepreneurs, aiming to enhance their management capabilities. In this way, CMA is one of the largest organizations in Peru working to improve employment opportunities for women through lending and business support. On the other hand, the

Department of Arequipa, where CMA shareholder Arequipa City is located, is known as one of the regions with the highest reported rates of domestic violence in the country. This underscores the critical need to promote women's social participation and improve their status. Additionally, the APEC Women's Meeting was held there in May 2024.

Based on the above, this project aims to address the gender gap in employment opportunities and income in Peru by supporting CMA's financial services targeting women-owned MSEs. Through this, it seeks to create employment opportunities and increase income for women in Peru.

## **(2) Japan's and JICA's Policy and Operations in Women-owned MSE Sector in Peru**

This project aligns with the priority areas of Japan's Country Development Cooperation Policy for the Republic of Peru (2017): "Development of Economic and Social Infrastructure and Reducing Inequalities," the "Promotion of Inclusive Social Programs" in the Country Analysis Paper (2022), the "Promotion of Women's Economic Empowerment" under the JICA Global Agenda "Gender Equality and Women's Empowerment," and the "Improvement of Financial Access" under the JICA Global Agenda "Private Sector Development." Furthermore, this project falls under the Financial Inclusion Facilitation Facility (FAFI), whose establishment was announced by Prime Minister Kishida at a side event on the G7 Global Infrastructure Investment Partnership in May 2023. Therefore, this project aligns with Peru's development challenges and policies, as well as Japan's and JICA's cooperation policies and analysis. It is also expected to contribute to SDG Goal 5 (Achieve gender equality), Goal 8 (Promote decent work and economic growth), and Goal 17 (Strengthen the means of implementation and revitalize the global partnership for sustainable development). Consequently, it is anticipated to have significant development significance, and the need to support its implementation is high.

### **(3) Other Donors' Activities: N/A**

## **3. Project Description**

### **(1) Project Description**

#### **① Project Objective**

This project aims to expand credit for women-owned MSEs in Peru by providing loans to CMA, thereby contributing to the creation of employment opportunities and increased income for women in the

country.

② Project Components

Loans from this project will be sub-lent through CMA to women-owned MSEs throughout Peru.

③ Project Beneficiaries (Target Group)

Direct Beneficiaries: Women-owned MSEs receiving loans from CMA

④ Ultimate beneficiaries: Women-owned MSEs, their employees, and people benefiting from their services

(2) Project Cost: US\$65 million (Of which JICA's amount: US\$65 million)

(3) Schedule (Cooperation Period): December 2025 to December 2029

(4) Project Implementation Structure

1) Borrower: CMA

2) Guarantor: None

3) Project Implementing Agency: CMA

(5) Coordination and Role Sharing with Other Donors: N/A

(6) Environmental and Social Considerations

① Category: C

② Reason 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-Sectoral Issues:

This project involves financing for MSEs across all sectors. Support for MSEs is not explicitly excluded in the country's Nationally Determined Contribution (NDC) under the Paris Agreement, and the NDC policy references the importance of collaboration and cooperation with the private sector. Therefore, this project is consistent with the NDC policy.

(8) Gender Category:

【Gender Project】 ■GI(P) (Project primarily benefiting women)

<Reason for Classification> This project addresses the challenge that women-owned MSEs have limited access to financial services and non-financial services such as training and networking. Furthermore, CMA plans to roll out non-financial support menus nationwide. This project meets both the direct and indirect criteria of the 2X Challenge (Finance for Women) and is scheduled to apply for 2X Challenge certification.

(9) Other Special Notes: None.

#### **4. Project Impact**

(1) Quantitative Effects: To measure the contribution to improvement of financial access of Women-owned MSEs, the following indicators have been established

- Number of loans to Women-owned MSEs funded by JICA
- Gross outstanding loan amount for Women-owned MSEs

(2) Qualitative Effects: Creation of employment opportunities and income improvement across genders.

(3) Internal Rate of Return: Since this is a bank loan project, Internal Rate of Return (IRR) is not calculated.

#### **5. Assumptions and External Conditions**

N/A

#### **6. Lessons from Past Projects**

Post-evaluations of past similar microenterprise support projects indicate that the loan repayment rate from final borrowers was exceptionally high. This is attributed not only to appropriate credit assessments and monitoring activities but also to diverse support measures for clients. These include leveraging local NGOs familiar with final borrowers' credit information and providing non-financial support to final borrowers and intermediary lending institutions, contributing to borrowers' solid repayment performance. Regarding this point, CMA intends to continue acquiring customers through meticulous, field-focused service at physical branches for lending operations, while simultaneously enhancing online channels for organizational DX, improving customer convenience, and attracting deposits. Furthermore, regarding non-financial support menus, CMA has its policy to expand the business capacity enhancement training currently implemented for female customers in Arequipa City nationwide in the future.

#### **7. Evaluation Results**

This project aligns with Peru's development challenges and policies, as well as Japan's and JICA's cooperation policies and analysis. It contributes to creating employment opportunities and increasing income for women in Peru. Consequently, it is considered to contribute to SDG Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Development), and Goal 17 (Partnerships). The significance of support through JICA's Private Sector Investment Finance

scheme is substantial.

#### **8. Plan for Future Evaluation**

(1) Indicators to be used: As indicated in Section 4.

(2) Future evaluation schedule:

Ex-post evaluation is planned approximately 3 years after the LA signing

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