

MEDA Microfinance

Mennonite Economic Development Associates (MEDA) is a recognized leader in applying business solutions to economic development challenges with over 50 years of international experience, 175 staff worldwide, and programs in over 25 countries. Today, MEDA is an association of 3,000 business people from the United States and Canada who believe their faith, skills and resources can be used to help overcome poverty. MEDA was formed in 1953, initially as a venture capital organization to provide loans and equity to businesses in developing countries. Our work currently focuses on microfinance, the creation of sustainable business models and capital formation in developing countries.

Breadth of experience

The Microfinance (MF) Department's success is built on 30 years of international consulting and development finance experience in assisting its partners to provide cost-effective, appropriate, and sustainable financial services to the poor in developing countries. MEDA provides this assistance in a number of different ways: through large-scale management contracts, direct microfinance institution creation and management, national and regional training course delivery, and specialized technical assistance and training to various institutions as well as direct capital investment. This wealth of experience has created a strong base of superior technical resources and internal capacity. MEDA also promotes profitable direct investment in businesses and MFIs that serve the poor through the creation and management of investment instruments.



Photo: Carl Hiebert

MEDA's unique approach of applying business solutions to development challenges is implemented across the institutional, national, and industry levels of financial services.

Institutional level: Building effective institutions to deliver sustainable financial services to the poor

MEDA has been a pioneer in the area of financial institution development. In the early 1990s, MEDA spun-off its urban microfinance program in Haiti into what is now the largest credit union in the country, SHEC. MEDA was a founding organization of Confia, the predecessor to the Procredit bank in Nicaragua, one of the largest and fastest growing MFI banks in the country. In addition, MEDA has led microfinance start-ups and completed mergers in Tanzania, Mozambique and Haiti, where our microfinance projects were integrated into the operations of commercial banks. MEDA senior staff provide strategic advice through boards positions in five MFIs in Romania, Haiti, Nicaragua, Tajikistan and Argentina.

Highlights of our current institutional level work include the following recent projects:

- As a long-term technical assistance provider to MEFL, a leading Jamaican MFI and Scotiabank partner, MEDA designed and implemented the accounting and MIS system, created operating policies and procedures, and trained all credit staff. Today, MEFL operates through 4 branch offices and has provided over 10,000 loans to urban and rural microentrepreneurs, with a 96% repayment rate.
- In 2004, MEDA designed, launched and managed a successful microfinance institution in Afghanistan in partnership with Women for Women International. The MFI currently has a portfolio over \$1.2 million, serves over 12,000 poor women clients and has transitioned fully to local management. MEDA continues to serve as Chief Technical Advisor.

National level: Technical assistance to government and microfinance sector support organizations

Through the management of large-scale intervention projects, MEDA contributes to the development of national microfinance sectors. MEDA's technical input is called upon in assisting government in the preparation of effective regulation for supervision of MFIs, building the regulator's internal capacity to ensure the transparency of MFI operations, and developing local capacity for ongoing service provision to the sector.

Examples of MEDA-managed microfinance market development projects include:

- MEDA managed the Mozambique Microfinance Facility, a US\$3.5 million project from 2000-2007 that supported the microfinance sector with TA to MFIs, and the development of national legislation on microfinance supervision. Today, microfinance regulations at the Bank de Mozambique are in place, over 500 MFI staff have been trained, 12 high-quality training courses are available in both English and Portuguese, and over 100,000 clients are receiving high-quality microfinance services.

- MEDA successfully managed the UNDP's Umbrella Credit Project, a US\$1.7 million project from 1995-1999 which provided support to local, independent Tanzanian micro-enterprise credit initiatives through technical assistance to develop national quality standards, client registry services, networking opportunities and financial sector research.



Industry level: Acclaimed training courses and contributions to microfinance best practice standards

MEDA is committed to developing and advancing the use of best-practice in microfinance. MEDA was one of the founding members of the SEEP Network in 1985, and continues to represent member organizations through its service on the SEEP Board of Directors (Chair), and as facilitator of two working groups (financial services and investment readiness), and contributions to SEEP publications. **Most recently:**

- MEDA staff authored and presented three research papers at the Global Microcredit Summit 2006 held in Halifax, Nova Scotia, on the topics of Microfinance Investment Funds, Microcredit and Agriculture, and HIV-AIDS and Microfinance.
- MEDA was recently recognized for Outstanding Member Contribution to the Industry in 2006 by the SEEP Network
- MEDA was one of only ten institutions worldwide to be shortlisted for the prestigious international Alcan Prize for Sustainability.



MEDA's experience in regional and national capacity building initiatives demonstrates a strong track record, and its internationally-recognized training courses in risk management (internal controls and fraud prevention), investment readiness and human resource management are featured at highly acclaimed microfinance training institutes such as Boulder Microfinance Training Institute (Turin), the School of Applied Microfinance (SAM) in Kenya, the Microfinance Center (MFC) in Poland and the Microenterprise Development Institute (MDI) in New Hampshire.

New Edges

Fund Development: Integrating mainstream investment with development initiatives

MEDA recognizes that many smaller MFIs require low-cost risk capital or new equity investors before they can effectively access commercial capital or investments. MEDA's Sarona Risk Capital Fund is positioned to meet the needs of young, well-managed MFIs that are gearing up for rapid growth, and with the potential to exponentially increase access to finance in their countries of operation. Through Sarona, MEDA holds investments in MFI partners such as MiCredito in Nicaragua and CAPA in Romania, where investment capital is combined with strategic advice and technical assistance.

Over the past ten years MEDA has, either alone or through partnerships, created several development investment funds, and continues to actively create more such ventures. These funds harness the capital from North American markets and make it available for microfinance and small and

medium sized enterprises in developing markets. Examples include:

- Sarona Global Investment Fund, Inc. and Sarona Risk Capital Fund I LP. Funded by both donations and private investors, Sarona provides early stage investment capital to innovative venture with a high potential for social and financial return.
- MicroVest Capital Management LLC and MicroVest I, LP. Wholly funded by private investors, and based in Washington DC, MicroVest invests in microfinance banks around the world. www.microvestfund.com

MEDA has a wide range of experience in supporting the development of inclusive financial systems in a variety of markets across the world. The sector highlights and project profiles in this section demonstrate our project management (Mozambique project) and technical expertise (Afghanistan project), and highlight some of our work in the region (Tajikistan and Romania). In addition, below the profiles are several paragraphs describing additional relevant project work.

Rural and SME Finance: Supporting Value-added Business Development

MEDA is recognized as a leader in the establishment of best practices in value chain development including financial services and small & medium enterprise development. MEDA's "Farms to Markets" project in Tajikistan works with micro, small and medium enterprises in the fruit and vegetable subsector, from credit and technology provision to farmers, to technical assistance support for small and medium scale processors. In Africa and Asia, MEDA is partnering with International Development Enterprises (IDE) in a Gates funded value-chain initiative to increase farmers' incomes by access to finance, new irrigation technology, and higher value markets.

In Latin America, MEDA directly financed an asparagus grower in Peru at a key period in its history which has helped it become one of the leading asparagus producers in the world. MEDA has an equity investment in a major starch producer in a rural area of Paraguay. The company has proven so successful that a second plant has been built with additional capital from MEDA.

Focus on Impact: Extending Financial Services to Hard-to-Reach Markets

MEDA's business and development expertise contributes to strategic areas in fragile countries such as the public health sector (HIV/AIDS, child survival and maternal health), children and youth who work due to poverty, conflict, unemployment and the HIV/AIDS epidemic, and the expansion of rural economic services to hard to reach rural families. MEDA microfinance will apply gender equality and rights based approaches (RBA) to its program services.

- MEDA currently pilots financial services to young people through the implementation of PPIC-Work (Protecting and Promoting the Rights of Children who Work) project in Egypt, a U.S \$3.5 million project from 2003-2008 aimed at understanding and improving the situation of working children in microfinance.
- In 2006, MEDA expanded its HIV/AIDS program in rural Mozambique by offering technical and financial assistance to Mozambican MFIs to design and implement HIV/AIDS mitigation strategies. Mozambican MFIs are now more aware of the potential impacts of HIV/AIDS on their clients, staff and portfolio and are informed about different strategies available to them in meeting the challenges that HIV/AIDS poses to their institutions.

Our Impact

The ultimate beneficiaries of the Microfinance Product Line are the many clients of our partner MFIs and NGOs. While the direct recipients of our technical assistance are often these partner institutions, the goal of our programming is to improve the lives of the poor clients that they serve. Improved access to financial resources is one way that microentrepreneurs can reduce their vulnerability and increase their options for building a better life for themselves and their families.

MEDA MF presently works with partners that serve over 100,000 poor clients. The number of clients served fluctuates annually based on our preferred business model of partnering with MFIs for a fixed time period, providing institutional strengthening services and leaving behind sustainable institutions.

Malika Sawcha

Malika been with Caixa das Mulheres de Nam-pula since 1998 and is currently on her eighth loan cycle worth 25 Million MZM (\$1100 CDN). Malika started from scratch back in 1998 and is now running a sewing business with six machines and a small auto parts store, employing altogether five people in the operation. She is planning on using her next loan to open up a baraca next to her shop to serve lunch and cold drinks to all of her customers in the neighbourhood. She says that "microfinance has helped to make all of our success possible. It has helped us to live well and allow our children to live a good life."



Staffing and Contact Information

Our professional consultants have grassroots experience, a business orientation and the ability to work at large scale development issues. The current Microfinance team brings strong professional and academic qualifications, in addition to recent and in depth operational experience.

For more information contact:

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