Impact Investing in Frontier Markets (INFRONT) is building on MEDA’s long experience in impact investing, which started with MEDA’s first investment in the Sarona Dairy in Paraguay in 1953. Small and medium enterprises (SMEs), like this agribusiness in Tunisia, are vital to job creation and wealth generation in developing country markets. INFRONT provides them the support they need to grow and flourish.
Background

Small and medium-sized enterprises (SMEs) form the backbone of a country’s economy and typically employ 10-250 workers. In emerging markets, SMEs are crucial engines of development and catalysts for innovation. Their growth can decrease poverty, increase employment, expand products and services and create market linkages for small producers and suppliers. By driving economic growth, SMEs add to a country’s GDP and tax base, so the benefits are shared beyond their immediate circle of employees, consumers and suppliers.

SMEs need investment capital and technical assistance to grow and flourish in a way that meets development goals, but they are perceived as high risk by many investors. Development finance institutions (DFIs) have played a key role in supporting SMEs, but they also need private equity.

To further address development objectives, SMEs also need to improve their working conditions, training, job security and safety, as well as address gender inequalities and poor environmental stewardship.

MEDA’s Assessment

MEDA’s INFRONT program (Impact Investing in Frontier Markets) addresses the pivotal role SMEs face in driving economic growth in emerging economies and the significant challenges they face to improving their businesses. INFRONT will contribute to poverty reduction by supporting SMEs in Africa, Asia and Latin America until 2017.

With funding from the Canadian government, MEDA (Mennonite Economic Development Associates) is partnering with Sarona Asset Management and the MaRS Centre for Impact Investing to provide investment capital and technical assistance that will promote SME growth and spark the economy through:

1. Investment – Up to $250 million in frontier and emerging markets through the Sarona Frontier Markets Fund 2 LP;
2. Technical Assistance
   a. Social Innovation Grant Fund (SIG) – MEDA will manage a fund with a 1:2 match that offers $50,000 for up to 50 SMEs who will create more jobs, reach more marginalized communities and be more socially and environmentally responsible.
   b. Global Fund Manager Mentorship Program – The MaRS Centre for Impact Investing will match experienced North American private equity managers as mentors with managers in emerging markets to enhance their skills.
3. Impact Measurement – An enhanced monitoring and evaluation system will provide useful tools for collecting concrete evidence of social impact.

Outcome | 5-Year Project Budget

- Over 5 million women and men in emerging/frontier markets have access to products and services from more socially responsive SMEs
- Up to $250 million invested in 12-18 investment funds in frontier/emerging markets
- 90-130 SMEs receive investment and/or technical assistance resulting in improved social and environmental management practices
- 45-60 investment managers receive mentoring services