The MEDA Risk Capital Fund
Over 65 years of investing for impact in emerging markets
Acknowledgements

Authors: Devon Krainer, Jennifer Ferreri, Jessica Villanueva, Clara Yoon

Research: Adam Bramm, Carolyn Burns, Yasir Dildar, Nicole Heaney

Design: Wendy Helgerman

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Tom Bishop
Jason Dudek
Veronica Herrera
Michelle Horning
Joyce Lehman
Serge LeVert-Chiasson
Donovan Nickel
Gerhard Pries
Mike Quinn
Introduction

Beginning with MEDA’s investment in Paraguay’s Sarona Dairy in 1953, MEDA has become a recognized global leader in impact investing, blended finance and market-based programs that assist millions of people around the world to realize their economic and social aspirations. The MEDA Risk Capital Fund (MRCF), a pool of investment assets owned by MEDA, is foundational to furthering its mission of creating business solutions to poverty. By investing in viable Small and Medium-Sized Enterprises (SMEs) and funds in developing markets, MEDA strives to support the economic advancement of excluded, low-income and disadvantaged communities including women and youth.

MEDA is a pioneering organization in developing blended finance partnerships and delivering tailored technical assistance, both of which relate to and support MEDA’s investments and are referenced throughout. However, these are also standalone technical areas of practice at MEDA and are not limited to the work of the MRCF.

This publication is a result of a year-long internal research initiative at MEDA that explores the evolution and impacts of the MRCF, as well as best practices and lessons learned. While a historical understanding of the MRCF is vital, MEDA recognizes the world is changing; complex and dynamic challenges and opportunities continuously emerge. The critical role and need for investment capital in developing markets is also evolving. Designed for impact investors, funders and intermediaries, MEDA anticipates that this publication promotes dialogue and sparks strategic partnerships that help create solutions to the world’s emerging challenges and opportunities. It is also our hope that this resource may be a valuable contribution to the evidence base of the impact investment field.
Our Expertise in...

**Blended Finance**

MEDA is experienced in structuring blended finance partnerships that allow for the crowding in of different types of capital to achieve commercial and impact objectives. An early leader in blended finance, MEDA partnered with the Government of Canada in 2013 to **pilot the use of concessionary finance** to raise private capital for development-related investments in private equity and trade finance. A key aspect of these partnerships is the provision of technical assistance to funds and SMEs to support the achievement of the Sustainable Development Goals.

**Technical Assistance**

MEDA develops bespoke technical assistance packages, delivering services directly to funds and SMEs in gender lens investing, environment social and governance (ESG) integration and impact measurement and management. Through partnering with more than 20 fund managers and 37 companies across 21 countries, MEDA has supported improved business performance and impact including the development of groundbreaking toolkits like the **Gender Equality Mainstreaming Framework**.
Our History

MEDA has been a forerunner in catalyzing impact investments, novel platforms and blended finance partnerships long before the term ‘impact investing’ was coined and recognized by the global development community in 2007. From its founding investors in 1953 to the establishment of MEDA as a non-profit entity in 1973, MEDA adapted alongside market trends and the evolving nature of investing risk capital in developing economies.

Today, as an international organization, MEDA works with over 400 partners in 62 countries around the world to create economic opportunities for women, men and youth through forging alliances with financial institutions, investment funds and SMEs.

The MEDA Story: Investment as a Legacy

MEDA’s origins date back to the aftermath of the second World War when over 35,000 Mennonite refugees fled from Russia and East Germany, with about 5,000 settling in Paraguay. Development assistance efforts in the country primarily focused on establishing schools and hospitals. While the assistance was essential, it was a temporary means of survival, not a long-term solution. The newly settled Mennonites needed capital to support business growth, as the only credit facilities available in Paraguayan banks were short term loans with high interest rates. The intersection of demand for capital in the new settlements and growing interest among Mennonite business people in North America to provide such assistance came together in 1952. In cooperation with relief groups, six individuals flew to Paraguay at their own expense to study the economic conditions. After two missions, a historic meeting was held at the old Atlantic Hotel in Chicago on December 10, 1953, in which eight individuals formed Mennonite Economic Development Associates (MEDA).

To get a full historical sense of MEDA’s founding members and global context, *The MEDA Experiment: Twenty-five Years of Economic Development* by J. Winfield Fretz (1978) is a valuable resource.
Impact Investing Since 1953

An impact investment group is formed to respond to the post-WWII refugee crisis in South America. The aim is to advance local economies through finance, technical assistance, services and market linkages.

With the advent of USAID and CIDA, MEDA receives its non-profit status in 1973, and by 1977, MEDA has already managed 422 projects globally.

MEDA establishes an internal risk capital fund to invest in a range of businesses and sectors globally, especially in financial services and agriculture.

MEDA initiates its project-related investment approach to expand impact through the provision of capital alongside technical assistance. In 2011, MEDA spins out Sarona Asset Management, an early leader in commercial impact investing. In 2013, MEDA launches a pioneering blended finance project, INFRONT.

MEDA is currently developing a $100 million gender lens investing fund for global financing of women-led and gender mainstreamed companies and funds.

MEDA continues to offer distinctive catalytic financial mechanisms through the MRCF in collaboration with private equity and asset management firms, and blended finance partnerships with donor governments and philanthropic foundations.

In early 2000s, MEDA develops an investment approach of financing ‘platform builds’ that promote sector-wide ecosystems development.

Under this strategy MEDA launched several platforms including MicroVest, an asset management firm providing capital to financial institutions that serve micro, small and medium businesses.

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Our Founding Values

Understanding MEDA's history is critical to trace the values and principles that guide how the organization operates and makes an impact today. The MRCF derives from MEDA's overall ethos and approach to partnering with the private sector through investment and technical assistance to further its mission of creating business solutions to poverty.

MEDA
While MEDA's founders were successful business leaders and had considerable means, they knew struggle and poverty earlier in their lives. In 1953, the founders made their first investment in the Sarona Dairy farm through developing backward supply chains in partnership with smallholder farmers in Paraguay. The combination of MEDA's capital and business support enabled experimentation of new methods and improvements in farmers' yields, contributing to business growth. In 1972, the partners in Paraguay bought out MEDA's shares, acquiring complete ownership of the SME and catalyzing the dairy industry, which grew to serve 70% of the country's dairy market.

Risk Capital
Investing venture capital in SMEs during MEDA's early days represented an opportunity for MEDA's founders to utilize their gifts as business people and take on risk to help others get a new start. MEDA's advisory support and capital initially supported Mennonite communities and developed over time to support indigenous and other populations.

Fund
As an evergreen fund, MEDA was founded on principles of sustainability and mutual respect, minimizing the gap between the provider and recipient of capital. These founding principles continue to be applied to our investment portfolio today, alongside a focus on innovation, replicability, scalability and impact.
An Evolution of MEDA’s Impact Investment Approach

MEDA’s evolution in impact investing can be categorized into three successive phases that built on the previous ones:

1953 to Present

**Thematic impact investments** represent the first iteration of the MRCF. These investments are in promising entities aligned with MEDA’s values and mission, which contributed to the development of pro-poor sectors or themes including agriculture, microfinance and gender equality. One example of an early MEDA investment was in Women’s World Banking Capital Partners (WWB). With the goal of promoting financial inclusion and women’s empowerment, MEDA invested in WWB which supports microfinance institutions in developing markets that are primarily managed by, provide employment for, and provide services to women. This early model continues into the present day when an investment aligns with MEDA’s overall goals and objectives.

2000 to Present

**Platform builds** are investments that support the development of inclusive financial ecosystems that meet the needs of underserved SMEs and low-income and marginalized populations including women. MEDA has pioneered, established and invested in numerous platforms that provide the infrastructure for a more resilient and inclusive financial system. For instance, MEDA was a co-founder of MicroVest in December 2002, a private firm investing in microfinance institutions serving individuals at the base of the socioeconomic pyramid. Since inception, MicroVest’s funds have provided over $1B of financing to over 85 financial institutions in 50 countries in Latin America, Africa, Eastern Europe and Asia. MEDA’s investments played a catalytic role in other platform-building investments including Sarona Asset Management and Impact Assets.

2010 to Present

**Project-related investments** represent the latest strategy for the MRCF. Most deals are aligned with MEDA programming, enhancing our ability to achieve systemic impacts in countries where economic growth and development is hampered by a lack of capital. MEDA has made 14 project-related investments including Business Partners International East Africa, which provides flexible and tailored risk finance with innovative royalty-based structures in smaller ticket sizes of $50K-$1M to capital-starved SMEs in Kenya, Rwanda and Uganda. Business Partners is a key partner in MEDA’s Maendeleo Sawa project, seeking to increase job creation and income for 20,000 entrepreneurs through strengthening SME profitability and competitiveness. MEDA’s industry leadership in blended finance is also illustrative of this strategy, where MEDA has formed groundbreaking partnerships to crowd in capital and spur development outcomes in private equity and trade finance.
Key Lessons Learned

- **Making impact investments in platform builds and project-related investments increases outreach and impact**, whereas one-off investments are typically tied to a more focused objective.

- **Mobilizing capital from investors and donors to finance market-based approaches is essential to meeting the sustainable development goals.** Combining risk capital and technical assistance enables MEDA to act as a trusted intermediary in establishing blended finance partnerships.

- **Starting new companies can add significant complexity and risk to investments.** Rather, investing in established SMEs with competent management teams enhances the likelihood of achieving financial results and long-term impact.

- **Investing in funds boosts diversification, leverages local investment expertise and decreases transaction fees,** helping to improve the risk-return profile of the portfolio while supporting the development of local financial ecosystems.
By the Numbers: Global Reach & Financial Performance

Over the last ten years, the MRCF supported 38 SMEs and 12 funds across 57 countries.\(^1\)

Fund size:\(^2,3\) $24.8M
Number of current investments:\(^1\) 26
IRR:\(^2,3\) 3.1%
Deal size range:\(^4\) $66K-$4M

Average deal size:\(^4\) $852K
Average tenure:\(^4\) 7 years
Number of exits:\(^5\) 21
Number of write-offs:\(^5\) 3

\(^1\) Includes direct and indirect investments.
\(^2\) Data as of March 31, 2019. Amounts in USD.
\(^3\) Fair market values based on Sarona Asset Management’s estimates since they became fund advisor.
\(^4\) Includes active investments in MRCF portfolio only.
\(^5\) Data reported represents transactions that occurred during the last ten years (2009-2019).
Development Impacts

MEDA's investments ultimately aim to contribute to poverty alleviation through supporting local economic growth, creating jobs and decent working conditions, and promoting gender equality and environment and climate change.¹

**Local Economy**
- 92M clients access products & services
- 60,331 suppliers provided goods & services
- $381M taxes paid to local governments

**Job Creation & Decent Work**
- 18,743 jobs created
- 148,767 employees with decent working conditions

**Gender Equality**
- 6,995 jobs created for women
- 44% of jobs filled by women

**Environment & Climate Change**
- 62% SMEs have policy documenting their commitment to the environment
- 4GW clean energy generation capacity

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**Employee Benefits Offered by Portfolio SMEs²**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Women Managers</th>
<th>Women Staff</th>
<th>Women Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid vacation</td>
<td>39%</td>
<td>44%</td>
<td>25%</td>
</tr>
<tr>
<td>Maternity/Paternity leave</td>
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<tr>
<td>Disability coverage</td>
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<tr>
<td>Retirement provisions</td>
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<tr>
<td>Life insurance</td>
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<tr>
<td>Dental insurance</td>
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¹ The impact data reported comprises of SME investments and underlying companies from fund investments during 2017.
² Data represents only direct SME and fund investments during 2017.
The MRCF Model: Reinvesting Agile & Flexible Capital for Enduring Impact

The MRCF offers a flexible and agile investment approach to target long-term impact through the following four characteristics:

**Unique Fund Structure:**
The MRCF is embedded within MEDA's charitable organizational structure. As such, it is designed solely to advance MEDA's mission to create business solutions to poverty. In contrast to conventional investment vehicles that maximize returns for shareholders, the MRCF's structure prioritizes stakeholder interests and impact. The MRCF is governed by a separate board comprised of business leaders that support MEDA's work. The board provides oversight, risk management, and approves investments and exits, ensuring MEDA makes mission-aligned investment decisions.

**Strategic Partnerships:**
While MEDA staff participate in sourcing and recommending investees and designing technical assistance, MEDA utilizes a third-party asset management firm to ensure deals undergo rigorous and objective financial due diligence and monitoring. Currently, MEDA engages Sarona Asset Management in this role.
Values-aligned Investors and Donors:
MEDA raises most of its capital from values-aligned individuals. MRCF capital is made up of roughly equal parts financial donations, retained capital and low-interest earning promissory notes. This kind of ‘unencumbered capital’ gives MEDA complete discretion over how and what it invests in. Consequently, MEDA plays a unique role as an intermediary, linking donors and investors with the private sector to promote market-based investments to help achieve the sustainable development goals.

Value-added Technical Assistance:
MEDA seeks to enhance development outcomes achieved by investee funds and SMEs through assessments, capacity building, training, challenge grants, and introducing appropriate methodologies, incentives, tools and technologies. For example, MEDA applies the Gender Equality Mainstreaming Framework (GEM) with trade finance intermediaries to integrate gender lens investing in their investment policies and practices including promoting gender upgrading in their portfolio for business growth and impact.

In addition to the MRCF model’s key characteristics, the following qualities are core to MEDA’s investment process to maximize impact.

Enduring Impact
Invest in impactful SMEs and funds to promote sustainable and equitable growth

Agile Process
An investment process that moves at the speed of our entrepreneurs

Flexible Investing
An investment approach that evolves with the rapidly changing global context

Recycled Capital
An evergreen fund reinvesting capital and investment returns into perpetuity
Our Investment Approach

MEDA invests early-stage growth capital in SMEs and local investment funds through three types of investment strategies:

- Thematic Impact Investments
- Platform Builds
- Project-Related Investments

Investment Criteria

**Deal size:**
$100,000 - $2,500,000

**Financial instrument:**
Loan, equity and creative financial mechanisms (e.g., convertible debt, revenue share, subordinated debt)

**Sector:**
Focus on agriculture, inclusive financial services including micro and SME finance, technology, sectors with high prevalence of SMEs (e.g., health, manufacturing, consumer services, etc.) and compliance with the IFC exclusion list.

**Financial viability:**
Demonstrates strong business plan and a competent management team.

**Impact potential:**
Demonstrates benefit to low-income women and men or Micro, Small and Medium-Sized Enterprises (MSMEs), alongside consideration for the environment and gender equality.

**Length of investment:**
Typically targeting 3-12 years; however, length is flexible and based on the needs of investee and MEDA project.

**Target return:**
Varies upon project goals and risk profile. At a minimum, MEDA seeks capital preservation.

**Exit strategy:**
MEDA aims to transition ownership to local investors and management as soon as is feasible. MEDA also seeks to catalyze follow-on investment from other private capital providers who share our values of upholding impact and working with the investee’s current management team.
Technical Assistance Strategy

MEDA understands that deploying capital in underserved markets is often not enough to develop local and sustainable entrepreneurial and investment ecosystems. For many SMEs and funds, additional capacity building is required to ensure sustainable and inclusive growth. Wherever possible, MEDA aims to provide technical assistance to SMEs and funds tailored to the needs of the investee. MEDA’s technical assistance spans a range of topics (depicted below) and is provided through local consultants, MEDA staff, supporters and board members. Where feasible, MEDA seeks to appoint a representative to the investee’s board.

- Gender Equality & ESG
- Impact Measurement & Management
- Inclusive Value Chains
- Business Development Services
- Governance
- Technical Consulting
SME Case Study: Mountain Lion Agriculture

A Champion of Local Rice in Sierra Leone

Founded in 2010, Mountain Lion Agriculture (MLAg) operates the largest rice miller in Sierra Leone and offers the only local rice brand in the country. The SME aims to improve the lives of Sierra Leoneans by replacing lower quality rice imports with higher quality rice produced domestically. As a farmer-focused business recognized for its promotion of training, seed distribution, equipment rental, access to market and environmentally-friendly farming techniques, MLAG employs over 40 full-time staff and 120 seasonal workers.

In 2013, MEDA provided $500,000 in convertible debt financing to MLAG to strengthen the rice sector in Sierra Leone through a rice paddy out-grower model. The business model of targeting an increase of outreach to over 5,000 suppliers aligned with MEDA’s approach of promoting inclusive and sustainable economic growth. To support the company’s growth, MEDA provided business advisory support including a seat on MLAG’s Board of Directors. In 2014, MEDA and MLAG were recognized for its impact investing partnership and awarded the “Moving Money That Matters” Innovator Award at the Social Finance Forum in Toronto, Canada.

QUICK FACTS

Geography: Sierra Leone
Sector: Agribusiness
Investment Amount: $850,000
Investment Date: 2013
Catalyzing Growth and Impact for Smallholder Farmers through Technical Assistance

With funds from Africa Enterprise Challenge Fund, MEDA provided technical assistance during 2013-2017 to expand MLAg's supply chain management capabilities and promote synergies between suppliers' interests and the firm's business model. MEDA's support included strategies to improve agricultural yields of smallholder farmers and to enhance rice aggregation processes. This included the development of an integrated data management system to track suppliers, production models and purchase orders. Kiva Microfunds built off the data architecture created during MEDA's consultancy to connect MLAg farmers with microloans. To date over 4,300 farmers have accessed loans totaling over $1 million.

With MEDA's support, MLAg increased staff wages to earn 1.5 times more than the local wage and receive comprehensive healthcare and pension plan. More recently, the Sierra Leone Agricultural Development Fund and a Dutch organization supported MLAg to upgrade its facilities and further develop its smallholder supply chain. At the end of 2018, MLAg milled over 1,290 metric tons of rice and supported 7,400 farmers, many of whom are women.

A Long-Term Partnership through Patient Capital

Given the operational and financial challenges faced by MLAg due to a combination of the Ebola crisis, late supplier payments, and an overall difficult development landscape, payments on MEDA's loan have been slower than anticipated. Despite delayed repayment, MEDA understands its role as a patient and long-term investor, appreciating that it will take time for the business and overall economy to stabilize. MLAg's CEO has an expression, “fire either destroys or purifies. These experiences have purified our company.” MEDA remains optimistic as reflected by MEDA's Chief Financial Officer, “We knew investing in MLAg was going to be difficult. We continue to be impressed with their resilience to operate in an extremely difficult operating environment.”
A Different Investment Thesis

In 2013, Sarona Asset Management (Sarona) launched *Sarona Frontier Markets Fund 2* (SFMF 2), a private equity fund-of-funds providing investors the unique opportunity to gain exposure to leading expansion-stage companies across sectors in frontier and emerging markets. Due to SFMF 2’s scale, innovation and local economic development objectives, MEDA made a project-related investment in 2013. MEDA combined its investment with the provision of value-added technical assistance to enhance inclusion of the environment, low-income and marginalized populations in the business models of portfolio companies. Sarona’s investment thesis was based on several key insights:

- Local private equity funds have the distinct ability, depth of networks and relevant expertise to add strategic and operational value to the businesses they invest in.
- While economic growth in developed economies slows, developing markets are flourishing. HSBC projects that 19 of the 30 largest economies in 2050 are considered emerging markets today.
- Investment opportunities are undervalued due to investor perception overestimating the risks associated with frontier and emerging markets, creating the opportunity to generate alpha.

**QUICK FACTS**

- **Geography:** Global Frontier and Emerging Markets
- **Sector:** Growth capital in small to mid-market companies
- **Investment Amount:** $1,780,000
- **Investment Date:** 2013
• Sarona’s Social and Environmental Management System enables ethical investment decisions in local private equity funds with exposure to firms benefiting low-income populations through products and services, decent employment and inclusive supply chains

Catalyzing Private Investment in Frontier & Emerging Markets

In line with its vision to catalyze significant amounts of private capital in developing markets, Sarona sought to raise 250M from investors for SFMF 2. This was no easy task given investors showed high risk aversion towards these markets. In response to this challenge, Sarona and MEDA entered into a groundbreaking blended finance partnership with the Government of Canada to supply first-loss capital and investment from MEDA through the MRCF. The partnership’s first-loss capital provided risk protection and a return enhancement to investors, thereby crowding in private capital that otherwise would not have committed to SFMF 2. Moreover, MEDA’s investment offered assurance to private investors that impact was a key priority for the fund, alongside earning a return on investment. These catalytic components coupled with an OPIC debt facility enabled Sarona to reach a total fund size of $150M.

Delivering Returns and Driving Impact

Six years after its launch, Sarona is beginning to see the benefits of SFMF 2’s fund investments. In the last year, local private equity partners made exits valued at $15M (SFMF 2 share). As a result, MEDA is earning 7.8% in annual returns on its investment (unrealized).¹ Investor returns are expected to rise as local fund managers ramp up exits in following years. Beyond financial returns, SFMF 2 has supported the creation of 37,910 jobs, 20,781 of which were for women, while also serving 167M customers through portfolio company operations.² To enhance development outcomes, MEDA managed a CAD $5M technical assistance facility, where more than 30 portfolio companies were awarded challenge grants to implement environmental, social and governance upgrades. Additionally, 15 first-time and early-stage emerging market fund managers received mentorship and coaching support.

¹ Financial performance are as of 31 March 2019, in USD, and include realised proceeds as well as unrealized valuations as provided by the underlying GP’s in SFMF2. Past results are not indications of future results.
² Impact data reported by local funds as of either December 2018 or March 2019.
SME Case Study: MiCrédito

Investing to Expand Rural Services in Nicaragua

With the vision to expand financial services for women and men entrepreneurs in Nicaragua, MEDA made initial investments in Chispa (early 1990s) and Confia in 2004. MEDA's microfinance work in Nicaragua then evolved into working with a local management team to create MiCrédito, a financial services firm. To deepen MiCrédito's reach to rural populations, MEDA partnered with MiCrédito in 2011 through the TechnoLinks (TL) project, which aimed to improve women and men smallholder farmers access technology and financial services to increase incomes and build assets. In 2012, MEDA invested in MiCrédito to finance the opening of new offices, enabling MiCrédito to expand its reach and services for marginalized clients. In 2019 MEDA furthered its partnership with MiCrédito under the TechnoLinks + project.

QUICK FACTS

- **Geography:** Nicaragua
- **Sector:** Financial services
- **Investment Amount:** $848,000 with the follow-on investment of $237,824
- **Investment Date:** 2012
During the TL project, MiCrédito partnered with the Banco de America Central to make financial inclusion more attainable for Micro, Small and Medium Enterprises (MSMEs). Through launching Tarjeahorra, a new product to increase savings, MiCrédito distributed debit cards and opened savings accounts for approximately 1,095 clients. This promoted savings among MSMEs and helped them become part of the regulated banking system. The SME increased its customer base by 67% over a three-year period, leveraging technology to improve internal processes, reduce costs to better serve clients, and develop a strategy for gender integration to expand their scope. During the same period, MiCrédito increased its number of employees by 138% and developed a gender policy with MEDA’s support. As a supervised entity in Nicaragua and a signatory to client protection pledges, the company introduced a client bill of rights and a grievance mechanism to ensure clients are treated fairly and equitably.

**Financial Viability and New Opportunities for Inclusive Growth**

MiCrédito has grown significantly over the past few years. For instance, the number of clients has grown by 17% during the past three years alone—from 6,998 in 2016 to 8,304 in 2018. The loan portfolio has also increased by 23% over the same period—from $11,870,101 to $14,591,163. Currently, MiCrédito operates 13 branches across the country, offering 11 different financial products depending on the type of client and their specific needs. The management team includes six people, five of whom are women.

As MiCrédito grows, it continues to extend MEDA’s mission of creating business solutions to poverty for entrepreneurs in Nicaragua. MEDA sustains its support to MiCrédito, providing financing, governance and advisory services to help the business grow and expand outreach including setting up a new office in Costa Rica. MiCrédito’s ultimate objective is to evolve into a fully-fledged bank and to provide a complete range of financial services to MSMEs in Central America.

<table>
<thead>
<tr>
<th>Gender Indicators</th>
<th>Women in Portfolio / Total Portfolio</th>
<th># of Women in Portfolio / Total Clients</th>
<th>Average Loan for Women (US$)</th>
<th>Women Credit Officers / Total Credit Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>MiCrédito</td>
<td>50.1%</td>
<td>57.9%</td>
<td>1,519.9</td>
<td>52.3%</td>
</tr>
<tr>
<td>Country Average</td>
<td>44.6%</td>
<td>54.9%</td>
<td>732.6</td>
<td>42.0%</td>
</tr>
</tbody>
</table>

*ASOMIF December 2018*
SME Case Study: Zoona

Pioneers in Zambia’s Digital Finance Landscape

Launched in 2009, Zoona is a mobile money service provider that is changing the landscape for how customers transfer money. Zoona enables clients to transact with the unbanked, mobile connected and unconnected end-users, providing easier, quicker, safer and more affordable solutions than traditional cash transactions. Using proprietary technology, Zoona offers users a variety of financial services including money transfers for retail consumers, electronic subsidy payments for government and NGOs, digital supplier payments for businesses, among others.

Bridge Funding Critical for Zoona’s Growth

In 2011, MEDA financed Zoona through a convertible debt loan to fund operational expenses and assist in paying off a higher interest loan. MEDA subsequently converted the debt to Preferred Series A Shares. Importantly, MEDA provided bridge financing for Zoona to test new agent models, grow its client base and establish new relationships for company growth – a role no one else was playing in the market at that time. MEDA’s participation in the Series A round enabled Zoona to expand product offerings staff and operations, make investments in its agent network training and monitoring systems, and design and deliver credit offerings to its agents and business partners. Moreover,
MEDA’s representative on the Board provided strategic business recommendations to Zoona to enhance customer insights, operations, human resources and financial management.

**Joining the Movement of Digital Financial Services**

Investing in Zoona represented an opportunity for MEDA to expand its knowledge and exposure to digital financial services (DFS). At the time of the investment, DFS was an emerging and promising field within the financial services industry aimed at leveraging mobile handset penetration among low-income populations in developing countries to improve financial access. Zoona was first introduced to MEDA through its multi-country program, TechnoLinks (TL), funded by the Canadian Government. The TL project provided technical assistance to MEDA’s partners in Zambia, Nicaragua and Peru focused on several themes: agent recruitment, training, monitoring and communication; customer segmentation; digitizing financial services delivery; expanding data analytics; and improving gender inclusivity.

**Business Expansion and Increasing Gender Equality**

Following MEDA’s investment, Zoona expanded its 100 agent locations to 2,000 different outlets with 800 agents serving Zambia, Malawi and Mozambique. The firm also achieved a 40% increase in female agents. While providing employment to 2,000 people, Zoona expanded the number of clients from 95,064 to over 110,000 per month, grew repeat clients by 30% and realized a 240% increase in revenue. Zoona raised an additional $15 million Series B equity from IFC and others in 2016.

In recent years, Zoona has reached over 3 million customers including 25% of Zambia’s adult population. Internally, Zoona is committed to promoting its values and remain purposeful in all its endeavors. This includes incorporating diversity and gender equality within staff and leadership. Currently Zoona’s board is comprised of 57% women with voting rights, and over 50% of middle management are women.

We closed March 2011, I remember the celebration when that happened…suddenly we had this cash and new partner, [giving] us breathing room and runway to our Series A. It was a pretty instrumental, critical phase in the company.”

—Mike Quinn (Zoona CEO)
Looking Ahead: What’s Next for the MRCF

MEDA continuously adapts the MRCF investment strategy in response to the changing needs and trends in the impact investing eco-system. MEDA will continue to catalyze new platforms and blended finance partnerships, improve the fund’s investment policies and procedures, scale the organization’s gender lens investing strategy and design more sophisticated impact reporting methodologies.

Aligning the MRCF Investment Policy with Industry Best Practices in Impact Management

MEDA commissioned a review of the MCRF investment policy in 2018, with a primary goal of improving integration of gender equality and other impact themes in its investments. Through its work consulting on leading impact investment funds’ policies, MEDA codified the best practices in gender and ESG and compared them against the current policy. This process prompted the following suggested policy changes:

- Outline how impact considerations are embedded into the MRCF investment lifecycle, including positive screens and impact standards that are applied pre and post-investment.

- Clarify current investment and technical assistance strategy and approaches.

- Describe the fund’s theory of change to deploy growth capital strategies that align with MEDA’s mission (e.g., piloting untested investment structures).

- Define the roles and responsibilities for fund operations, technical assistance and impact management.
Launching a Transformative Gender Lens Investing Fund

Informed by the organization’s experience making select gender lens investments, MEDA has developed a comprehensive gender lens investing strategy that seeks to address the underserved needs of women-led SMEs, as well as transform SMEs and sectors to be more inclusive of women and other marginalized populations. Critically, MEDA aims to build an inclusive investment process and team with diverse representation across gender, nationality, experience, age, and other diversity criteria.

To realize this strategy, MEDA intends to raise $100M from public and private sources to establish a gender lens investing fund. This fund will seek to deploy capital and technical assistance uniquely designed to meet the needs of women entrepreneurs and inclusive business leaders. The fund’s scope is global, making direct and fund investments in sectors with significant potential to positively impact women (e.g., agriculture, healthcare, financial services, etc.). Ultimately, the fund aims to drive inclusive economic growth through shifting the way SMEs, sectors and financial markets value and promote gender equality.

Implementing Improved Impact Reporting

To increase the rigor of impact reporting, MEDA is researching and testing methodologies to measure the contribution of its investments to achieving impact that are in line with international best practices including the global standards laid out by the Impact Management Project. Through conducting contribution analysis, MEDA hopes to gain a more accurate picture of the role of capital and technical assistance in delivering development outcomes.
Bibliography and Additional Resources


Creating business solutions to poverty

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