

INFRONT

Impact Investing in Frontier Markets

APPLICATION GUIDELINES: PHASE V SUSTAINABILITY INNOVATION GRANT FUND

1) Background

Sarona Asset Management, MEDA (Mennonite Economic Development Associates) and the MaRS Centre for Impact Investing are partners in an innovative project: INFRONT (Impact Investing in Frontier Markets). Anchored by the Sarona Frontier Markets Fund 2 LP (SFMF 2 LP), this project places private capital in progressive companies that offer products and services which benefit their customers, employees and suppliers in frontier and emerging markets. The Government of Canada is a key supporter of this initiative.

2) Sustainability Innovation Grant Fund

The INFRONT **Sustainability Innovation Grant Fund (SIG)** is one aspect of this project, which provides economic incentives to small and medium enterprises (SMEs) that want to improve the sustainability of their operations, with a specific focus on environmental, social and governance (ESG) policies and practices. Investments into sustainability can add significant commercial value to SMEs, including access to new markets, increased operational efficiency, risk reduction, enhanced brand value and reputation, *while at the same time* having positive impacts on the SME employees, SME customers, SME suppliers and/or the environment. Given limited resources and the difficulty in measuring the impacts of sustainability activities, many SMEs are hesitant to invest in these areas. The SIG aims to address this issue.

3) How it Works

This *SIG Fund* is offered to SMEs on a 1:2 matching basis. That is, applications demonstrating the greatest potential impact will receive \$1 for every \$2 they contribute to the proposed innovation, with a maximum contribution from MEDA of CAD \$80,000. **This announcement marks the launch of Phase V.**





4) Who Can Apply

Phase V of the SIG is available to SMEs who receive investment from the Sarona Frontier Markets Fund 2 LP.

5) Initiatives Eligible for Funding

The SIG fund will support ESG initiatives that have a positive commercial impact on the company *and also* demonstrate strong potential for positive impacts on at least one of the following groups: SME employees, SME customers, SME suppliers and/or the environment.

Annex 1 provides a table with a range of sample initiatives. Applicants can either tailor one of these initiatives to fit within the context of their business, or propose alternate ideas.

NOTE - *in addition to* a stand-alone sustainability initiative, proposals can also include the development of a sustainability strategy for the company which reflects the integration of sustainability into overall business processes and relationships. Examples include:

- Closed loop manufacturing or cradle-to-cradle innovation
- Evidence that top management team has a demonstrated commitment towards sustainability and sets target
- Integration of sustainability metrics into performance measurement / investor reporting

6) Selection Criteria

The most successful proposals will be those that demonstrate strong potential for positive impacts to the SME employees, SME customers, SME suppliers and/or the environment *while also having a positive commercial impact on the company*. As such, proposals will be evaluated on the following criteria:

- *Capacity of applicant:* Applicants' financial and technical capability to carry out the proposed intervention. This includes the availability of matching funds and the identification of qualified personnel/consultants¹ who will support the initiative as it relates to sustainability issues and performance measurement.
- *Commercial viability* – The degree to which the initiative is integrated into the company strategy and the likelihood for sustainability.
- *Level of impact:* The potential depth and breadth of sustainable impact for SME customers, SME employees, SME suppliers and/or the environment.
- *Innovation:* The degree to which the initiative demonstrates that it is above and beyond what the SME is already doing.
- *Additionality:* The degree to which the SME can demonstrate that the SIG funds allow the SME to achieve results above and beyond what it would be able to do otherwise.
- *Cost effectiveness:* The cost-effective use of funds will be reviewed to ensure a strong social return on investment of grant funds.
- *Partnerships:* The ability of SMEs to bring in other market players, as appropriate, that will contribute to the sustainability of the initiative.

¹ MEDA will allow the match for external consultants to be reduced to 1:1 in favour of the business. All proposed external consultants must be approved by MEDA as part of the application process.



- *Gender focus*: The degree to which gender is incorporated (even if this is not the focus of the initiative).

7) Proposal Submission

Interested SMEs are invited to visit the INFRONT website (www.infront.cc) to access the application guidelines, application form, budget template and FAQs. Questions and final applications must be sent to **Katie Turner** (kturner@meda.org) and **Majid Mirza** (mmirza@meda.org) and can be submitted by either (i) the SFMF 2 LP fund manager on behalf of the SME, or (ii) directly by the SME. **The deadline for applications is Friday, August 12th, 2016, 5pm EST.**

Submissions must adhere to the following guidelines:

- 10 pages maximum (excluding annexes). Please adhere to word count outlined in each section. Submissions which exceed these limits will not be accepted. Cover pages or table of contents should not be included. Please submit only **two** documents: one which contains the narrative application form and annexes (Word), and one which contains the detailed budget (Excel).
- Submitted in English
- Submitted in Word format
- 12 point font Calibri
- Single line spacing
- Please do not include photos, tables or graphs in the body of the application. These may be included in the annexes, as long as the entire submission is 2MB or less. References to the relevant photos / tables / graphs should be included in the main text.

8) Review Process

Following the submission deadline, each proposal will be reviewed against the criteria outlined above. An Evaluation Committee, comprised of MEDA staff and expert advisors, will review proposals and determine which applicants will be selected as finalists for further consideration. Selected finalists should be prepared for additional information requests from the Evaluation Committee during the week of August 29th, 2016. Successful applicants will be notified by email by the week of September 12th, 2016 to plan for contract signing. Unsuccessful applicants will also be notified at this time by email.

Please note: members of the Evaluation Committee have diverse backgrounds and may not be familiar with contexts in specific countries or technical language across a range of sectors. As such, applicants are strongly advised to ensure that adequate contextual information is provided in the proposal, and language is not overly technical.

9) Implementation

The implementation period is minimum 12 months, maximum 14 months. MEDA experts will be available to support SIG recipients during this period, as appropriate.



10) Performance Measurement

Business performance measurement is a critical component of the SIG Fund in order to track the results of each initiative and clearly demonstrate the business case for sustainability practices. SIG recipients will work with the MEDA Performance Management experts to develop a reporting system specific to their initiative that will include key performance indicators and targets on which recipients will be expected to report during the period of implementation². During this process, MEDA will focus on understanding data SMEs already have or can easily collect in order to ensure reporting is manageable and not overly cumbersome. SIG recipients will submit quarterly financial and narrative reports to MEDA that reflect the results of their initiative. The details of the reporting system, including financial reporting, will be outlined in the contract. Note: SIG recipients and may be requested to send items such as consultant reports and photos to demonstrate the initiative's progress.

11) Technical Support

In addition to SIG funds, MEDA will support SIG recipients with a package of technical support during the implementation of their initiatives. This includes: (i) development of customized non-financial KPIs to measure the impact of their initiatives; (ii) preparation of case studies, progress reports and sustainability report cards that can be used by SMEs to monitor their SIG initiative and communicate their sustainability activities to other stakeholders (i.e. Board of Directors, employees, investors etc); (iii) Minimum two site visits from MEDA during which customized technical support can be offered; (iv) receipt of the Sustainable Business Brief newsletter which highlights SIG success stories as well as sustainable business practices.

About MEDA

Mennonite Economic Development Associates (MEDA) is a leader in the design and implementation of innovative and successful market driven economic programs around the world. For 60 years, MEDA has invested in SMEs to build sustainable businesses that create the backbone of low income economies and contribute to poverty alleviation. MEDA is a founder of and shareholder (10%) in Sarona Asset Management and works with Sarona and other impact investors to increase development impacts of investment while improving business efficiency and investibility. MEDA also has expertise in agriculture, health, inclusive finance, women and youth economic development. For more information please visit www.meda.org.

The list of successful SMEs will be published on the MEDA INFRONT website (www.infront.cc / www.meda.org). By submitting the application, applicants agree that their company name and a summary of the project will be made publically available.

² This list is in addition to the IRIS-compliant non-financial data points applicable to all funds and SMEs receiving investment from Sarona.

Annex 1: Sample Initiatives Eligible for SIG Financing

The table below provides examples of activities across environment, social and governance categories, and targeting three distinct groups (SME employees, customers, and suppliers). This information is intended to provide guidance, however applicants are required to tailor ideas to fit within the context of their businesses.

	Environment	Social	Governance
Initiatives targeting: Employees	<ul style="list-style-type: none"> - Waste management (i.e. finding markets for bi-products or waste) - Energy efficiency - Water conservation - Environmental management plan/practices (includes air quality, water quality, pollution prevention etc.) - Reduce emissions generated during processing or manufacturing - Environmental management standards (i.e. ISO14001) adopted and implemented - Minimize use of non-renewable materials or replace toxic components with either renewable or more benign alternatives - Worker health and safety programs 	<ul style="list-style-type: none"> - Child care facilities - Parental leave policies - Gender segregated washroom facilities - After hours transportation for female employees - Employee incentive programs - Appointment of sexual harassment ombudsman - Safety manuals for employees - First aid stations and/or provision of protective gear - HIV/AIDs prevention program - Relevant training programs 	<ul style="list-style-type: none"> - Board training - Increased representation of women on board - HR policies and practices for promoting women and increasing the number of women in management - HR supports women in non-traditional roles if and when appropriate - Employee councils or representatives at management or other meetings
Initiatives targeting: Customers	<ul style="list-style-type: none"> - Sustainable technologies/products to enhance environmental outcomes for consumers - Eco-labelling - Environmentally friendly packaging 	<ul style="list-style-type: none"> - New or redesigned products targeting new groups such as women or low-income households - Packaging (e.g., smaller volumes) and accessibility (e.g., pricing) of products 	<ul style="list-style-type: none"> - Social protection practices put in place - Customer input process (i.e. Focus Group Discussions) that contribute to product development
Initiatives targeting: Suppliers	<ul style="list-style-type: none"> - Suppliers supported in environmentally friendly production practices - Help suppliers to achieve organic certification and other standards - Green procurement 	<ul style="list-style-type: none"> - Outreach to more small scale suppliers - Training suppliers from disadvantaged groups including youth and women - Safety manuals and equipment for suppliers 	<ul style="list-style-type: none"> - Opportunities for supplier feedback - Stakeholder meetings promoting enhanced collaboration