**Introduction**

Small and medium enterprises (SMEs) are engines that drive economic growth in emerging and frontier markets. SMEs make significant contributions to decreased poverty, increased employment, the diversification of products and services, and the creation of market linkages for small-scale producers and other suppliers. At the national level, and as part of the formal economy, SMEs also add to the country’s GDP and tax base, allowing benefits to be shared beyond their immediate circle of employees, consumers and suppliers.

Investment capital is the necessary fuel that enables SMEs to flourish. However, SMEs are challenged in accessing sufficient growth capital. Development finance institutions (DFIs) have played a key role in financing many SMEs, but in order for adequate flows of capital to reach the growing number of SMEs in frontier and emerging markets, private equity is also needed. Local private equity markets are weak and investor confidence is not strong, so international private equity investment in local funds both supports SMEs and encourages growth in the local equity market. Moreover, many SMEs are either not investment ready or are struggling to grow and therefore require technical support including capacity in environmental, social and governance (ESG) areas.

**MEDA’s Investment Capacity**

Mennonite Economic Development Associates (MEDA) is a leader in the design and implementation of innovative and successful market-driven economic development programs around the world. Building on its 60 years of private sector experience, MEDA ensures that the benefits of investment are aligned with development goals – such as gender equality, environmental protection, outreach and scale of impact. Launched by a small group of private investors, MEDA operates under the assumptions that development initiatives achieve greater sustainability and outreach when commercial partners have increased access to capital, and that cost-sharing and technical assistance extend the benefits of investment.

MEDA’s professional and responsibly entrepreneurial staff have years of practical, proven experience including; training, research, monitoring and evaluation, supply chain management, project design and management, smart incentives for market expansion such as catalytic investment, e-vouchers and other ICT solutions including mobile technologies. We are passionate about partnerships and capacity building founded on the principles of respect and dignity. What we learn through grassroots relationships is multiplied for impact at scale.
MEDA’s Approach to SME/Investment

MEDA works in collaboration with partners to catalyze and strengthen SMEs and funds that provide both solid returns on investment and the advancement of ESG outcomes. The following outlines our main product offerings that enable us to realize our goals at the nexus of investment and development.

Catalytic Investment Mechanisms (CIMs)

MEDA is ideally positioned to offer distinctive catalytic financial mechanisms through our own risk capital fund, partnerships with commercial impact investors such as Sarona Asset Management and MicroVest, and collaboration with donors engaged in private sector development. With our long experience in business-led development, MEDA understands how to accelerate growth with pro-poor impacts.

ESG Assistance Facility (ESGAF)

With increasing investor focus on sustainable and inclusive growth, funds and SMEs are pressed to achieve greater impact even among marginalized communities. However, ESG areas can be challenging to implement despite a willingness to improve performance. MEDA assists funds and companies in advancing their ESG capacities, offering both standard supports (training, consultancies, webinars, resources) as well as innovative approaches such as competitive social innovation grants.

Enhanced Monitoring and Evaluation Systems (EMES)

Aligned with industry standards such as GIIN, IRIS, GIIRS and B-Corp, MEDA offers expertise in enhanced monitoring and evaluation systems (EMES) for investment funds and SMEs. Our EMES system surpasses industry standards to ensure that impacts on the ground are understood and information is fed back to institutions for remedial action as needed. For example, if a health and safety policy is in place, we offer the system that will track implementation of the policy and its impact on employees.

Technical Assistance Facility (TAF)

Technical assistance from MEDA and its partners promotes readiness and business management for funds and SMEs, as well as advancement of entire sectors and their supply chains. MEDA’s expertise in the development of sectors from microfinance to agriculture and manufacturing ensure that our technical know-how is responsive to the needs of funds and SMEs and the sectors in which they are situated.

Innovative Investment-led Collaboration

Impact Investing in Frontier Markets (INFRONT) is a public-private partnership between three Canadian organizations and the Government of Canada (GoC), managed by MEDA and designed to leverage investment capital for businesses in Africa, Asia and Latin America. The initiative’s investment fund, Sarona Frontier Markets Fund 2 LP, will invest up to $250 million in frontier and emerging markets, and is comprised of $15 million catalytic first loss capital (CFLC) from the GoC and patient capital raised from government sources, including the Overseas Private Investment Corporation (OPIC), and private investors. To ensure enhanced impact for the poor, the investment fund is paired with a technical assistance facility (TAF) incorporating environmental, social and governance (ESG) support, a social innovation grant fund and a global fund manager mentorship program. Over the project’s five years, 5.05 million women and men in emerging markets will have access to improved products and services delivered more effectively and by more socially responsive firms.

MEDA’s Investment Solution

When the 2008 global financial crisis threatened MEDA’s agriculture production and marketing project in Ukraine by drying up capital for small-holder farmers, MEDA stepped in to create a leasing company called Agro Capital Management (ACM). Using investment from MEDA’s Sarona Risk Capital Fund, ACM provides tractors, greenhouses, irrigation and other agricultural inputs to farmers in Southern Ukraine. By the middle of 2013, ACM had provided over $7 million worth of leased products to more than 1,000 clients — 37% of whom are women. In the same time, ACM’s value grew from $1.2 million to more than $2.6 million.