

MCE Social Capital

Applied Blended Finance in Africa: MCE's Empowering Sustainable Agriculture 'MESA' Fund

We were proud to support [MCE Social Capital](#) on the strategy and structuring of their new MESA fund. The 9-year close-ended fund will deploy significant capital to scale economic opportunities within local communities, enhance the climate resilience of smallholder farmers, and empower women throughout the agricultural sector in Africa and other key emerging markets.¹

MCE's MESA fund is a perfect example of the type of innovative finance that we believe is critical to advance Africa's economies and achieve a 'win-win' between social impact and the financial returns most investors seek. For 13 years, Open Capital has been at the nexus of social and financial returns, helping pioneers like MCE to design funds and deploy their capital for good. A key enabler is using catalytic capital, often provided by philanthropies or governments, to crowd-in much more significant private investment that could otherwise not participate in these perceived higher-risk markets. This sort of 'blended finance' has attracted \$160 billion globally, according to Convergence, and we believe solutions that bring together catalytic and commercial capital will play a key role in accelerating Africa's development, especially in areas such as climate adaptation, energy access, healthcare, water and sanitation, and education, among others.

But deploying more blended finance is difficult. Philanthropists and governments need to understand how their capital will unlock greater impact than direct grants. Similarly, commercial investors need to build comfort that this catalytic capital will really de-risk investment into these opportunities that would otherwise be too high risk.

MCE has operated a unique and successful blended finance structure for years, leveraging philanthropic guarantees to borrow from financial institutions and by issuing impact notes. When we assessed the strategy and design for the MESA fund, the objective was to develop a fund model that would enable MCE to deepen its impact, reaching Small and Growing Businesses (SGBs) and Financial Service Providers (FSPs) that others couldn't, but doing so while leveraging return-seeking capital.

Our support started with an assessment of the target portfolio MCE was looking to reach in frontier markets. We worked closely with CEO Camilla Nestor and her team by providing research and analysis to inform their decision-making on key portfolio and investment trade-offs. Given our experience in Africa, we were able to bring a deep perspective on the needs of local SGBs and the reality of different financial products and return profiles, which later helped get lead investors comfortable during the due diligence process. We then built a detailed financial model to determine fund returns under different scenarios, identifying risks that would need to be mitigated through the capital structure of the fund. Ultimately, the MESA fund has attracted strong interest, demonstrating that through the right approach, diverse sources of capital can be unlocked.

We believe MCE will be able to achieve substantial impact and serve as another demonstration of the type of deep impact capital that is necessary to achieve inclusive private sector development in frontier markets like Africa. We hope to see many more funds like MCE's MESA fund emerge, in critical areas such as climate action, gender, food security, water & sanitation, education, and more. We will continue sharing our learnings wherever possible to enable this growth and are always open to exchanging ideas.

- **Alex Burtenshaw** and **Andreas Zeller**