

INNOVATIVE FINANCIAL INSTRUMENTS



The versatility of the MIF's financial instruments enables it to maximize its impact. The MIF has the flexibility to use technical cooperation, debt, and equity investment to test high-risk and innovative models requiring customized financing. As financial markets evolve, and as the MIF sharpens its focus on innovation to create economic opportunities for the poor and vulnerable, additional instruments are being added to the MIF toolkit so it can better meet the current needs of client organizations, particularly at early stages of development. The new instruments are being introduced in 2016 on a pilot basis, and will be ramped up depending on demand and results obtained.

■ NEW INSTRUMENTS:

Early Innovation Reimbursable Funding: With the goal of fostering highly innovative market solutions in proof-of-concept stages, Early Innovation Reimbursable Funding (ERF) is a flexible product for testing or rolling out new technologies with still-uncertain market uptake. Repayment of funding is contingent upon successful implementation of pre-defined milestones.

Revenue Sharing Loans: Aiming to support innovative market solutions in early stages of commercialization, Revenue Sharing Loans (RSL) offer loans with no fixed payments, providing flexibility to clients with uncertainty about the pace of future cash flows. Repayments are scheduled on the basis of a pre-agreed share of the operation's income or a proxy variable.

Impact Discount Loans: Seeking to promote market-based solutions that generate positive social or environmental benefits, Impact Discount Loans (IDL) have a built-in incentive that reduces interest rates for borrowers if and when they attain defined social and/or environmental objectives in addition to financial returns.

Convertible Loans: Convertible Loans (COL) can be converted into equity upon pre-defined triggers, and are

suitable for companies that prefer flexible debt or are less familiar with equity instruments.

■ EXISTING INSTRUMENTS:

Equity: Through its Equity (EQU) product, the MIF can purchase common or preferred shares in financial intermediaries and, in exceptional cases, individual companies. Equity can also be used to participate in the capital structure of investment vehicles.

Loans: MIF Loans (LON) offer flexible loans or debt financing to clients or investment vehicles expanding innovative products and services within MIF priority areas.

Non-Reimbursable Technical Cooperation: Intended to develop conducive ecosystems for innovation and private-sector development, Non-Reimbursable Technical Cooperation (TCN) provides non-reimbursable funding for projects under MIF priority areas, especially for NGOs or when the projects are not expected to earn significant revenues.

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