



BOARD OF GOVERNORS
INTER-AMERICAN DEVELOPMENT BANK



INTER-AMERICAN INVESTMENT CORPORATION

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To: The Boards of Governors
From: The Secretary
Subject: Agreement Establishing the Multilateral Investment Fund III

Please find attached the Agreement Establishing the Multilateral Investment Fund III, which entered into force on 12 March 2019.

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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**AGREEMENT ESTABLISHING
THE MULTILATERAL INVESTMENT FUND III**

AGREEMENT ESTABLISHING THE MULTILATERAL INVESTMENT FUND III

WHEREAS, the Multilateral Investment Fund (the “MIF I”) was created by the Agreement Establishing the Multilateral Investment Fund, dated February 11, 1992, which was renewed until December 31, 2007; and the Multilateral Investment Fund II (the “MIF II”) was created by the Agreement Establishing the Multilateral Investment Fund II, dated April 9, 2005 (the “MIF II Agreement”), which entered into force on March 13, 2007, at which time the MIF I terminated and the assets and liabilities of the MIF I were assumed by the MIF II;

WHEREAS, the MIF II Agreement was renewed until December 31, 2020 pursuant to Article V, Section 2 thereof;

WHEREAS, in recognition of the need to develop innovative and effective approaches led by the private sector to address the development challenges, support sustainable economic growth, create opportunities for the poor and vulnerable populations, and promote gender equality and diversity in the Latin American and Caribbean region, the donors that adhered to the MIF II Agreement and the prospective donors listed in Schedule A of this Agreement Establishing the Multilateral Investment Fund III (the “MIF III Agreement”) (each, a “Prospective Donor”) desire to ensure the continuation of the MIF’s activities and provide for an enhanced MIF II (the “MIF III” or the “Fund”) in the Inter-American Development Bank (the “Bank”), which shall have assumed the assets and liabilities of the MIF II; and

WHEREAS, the Prospective Donors intend for the MIF III to continue to complement the work of the Bank, the Inter-American Investment Corporation (the “IIC”) and other partners pursuant to the terms contemplated herein, and the administration of the MIF III by the Bank to continue pursuant to the Agreement for the Administration of the Multilateral Investment Fund III (the “MIF III Administration Agreement”).

NOW, THEREFORE, the Prospective Donors hereby agree as follows:

ARTICLE I GENERAL PURPOSE AND FUNCTIONS

Section 1. General Purpose.

The general purpose of the MIF III is to promote sustainable development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the regional developing member countries of the Bank and the developing member countries of the Caribbean Development Bank (the “CDB”).

Section 2. Functions.

To implement its purpose, the MIF III shall have the following functions:

- (a) identify, test, promote and support private-sector driven innovations in the region seeking to create opportunities for poor and vulnerable populations;
- (b) promote the adoption of high impact innovation in the region, through replication and scaling;
- (c) seek to ensure that innovations that are replicated are effective and have significant development impact;
- (d) mobilize resources and crowd-in partners for scale;
- (e) promote knowledge creation and learning;
- (f) operate in close alignment with the Bank and the IIC as a means to enhance effectiveness;
- (g) promote environmentally sound and sustainable economic development, as well as gender equality and diversity, in the full range of its activities;
- (h) enhance its development effectiveness through the establishment of specific goals and measurable results;
- (i) adopt risk levels in accordance with its mandate to test the success and failure of innovative solutions; and
- (j) complement the work in the region of the Bank, the IIC and other partners.

ARTICLE II CONTRIBUTIONS TO THE FUND

Section 1. Instruments of Acceptance and Contribution.

(a) As soon as reasonably possible after its ratification, acceptance or approval of this MIF III Agreement, each Prospective Donor shall deposit with the Bank an instrument indicating that it has so ratified, accepted or approved this MIF III Agreement (an “Instrument of Acceptance”), along with its signature page hereto, and also, or as soon as possible thereafter, an instrument in which it agrees to pay to the Fund the amount set forth next to its name in Schedule A (an “Instrument of Contribution”), whereupon a Prospective Donor shall become a “Donor” under this MIF III Agreement.

(b) Each Donor shall pay its contribution in three equal annual installments (an “Unqualified Contribution”) as indicated in its Instrument of Contribution. The first installment is due and payable within 60 days after the date this MIF III Agreement enters into force pursuant to Article V, Section 1 (the “MIF III Effective Date”). Each Donor shall pay the second and third installments within 60 days of the one- and two-years’ anniversary of the MIF III Effective Date, respectively. Donors may make advance payments. Any Donor that deposits an Instrument of Contribution more than 60 days after the MIF III Effective Date shall within 60 days after its deposit of such

instrument pay the first installment and any subsequent installment which has become due. Any Donor which pays the full amount of its contribution in a single payment within one year of the MIF III Effective Date may reduce such payment by 3% of the total amount of its contribution. For purpose of calculation of voting power under Article IV, Section 4 (b), in the case of advanced payments, voting power shall be calculated based on those amounts originally payable as of the date of each annual installment set forth in this paragraph.

(c) Notwithstanding the provisions of paragraph (b) of this Section regarding Unqualified Contributions, as an exceptional case, a Donor may provide in its Instrument of Contribution that payment of all installments is subject to subsequent budgetary appropriations, and in which it undertakes to seek to obtain the necessary appropriations to pay the full amount of each installment by the payment dates referred to in paragraph (b) (a "Qualified Contribution"). Payment of an installment due after any such date shall be made within 30 days after the requisite appropriations have been obtained.

(d) Any member country of the Bank which becomes a Donor in accordance with Article VI, Section 1, or any Donor that wishes to increase the amount of its contribution set out in Schedule A, shall, subject to approval by the Donors Committee by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, deposit with the Bank an Instrument of Contribution and pay all installments in accordance with Article II, Section 1, paragraph (b) or (c) or as otherwise approved by the Donors Committee.

Section 2. Payments.

(a) Payments due under this Article shall be made in any freely convertible currency or in a Special Drawing Rights (a "SDR") component currency or in non-negotiable non-interest-bearing promissory notes (or similar securities) denominated in such currency to be paid on demand to meet the three installment dates (a "Paid-in Contribution"). Payments to the Fund in a freely convertible currency, which are transferred from a trust fund of a Donor, shall be deemed to be paid towards the amount due from that Donor when transferred.

(b) Such payments shall be made to an account or accounts established specially for that purpose by the Bank, and such notes shall be deposited in that account or with the Bank, as the Bank shall determine.

(c) To determine amounts due for each Donor paying in a convertible currency other than the United States dollar, the U.S. dollar amount opposite its name in Schedule A shall be converted into the currency of payment at the IMF representative exchange rate for that currency calculated by averaging those rates on a daily basis during the six-month period ending on December 31, 2016.

ARTICLE III OPERATIONS OF THE FUND

Section 1. General.

The Fund has a distinct role within its association with the Bank and the IIC and should complement and support their activities as directed by the Donors Committee. To carry out its purpose the Fund shall, where appropriate, draw on the strategies and policies of the Bank and the IIC, and the programs for the respective country.

Section 2. Operations.

To carry out its purpose, the Fund shall provide financing in the form of grants, loans, guarantees, quasi-equity and equity or any combination thereof; or other financial instruments, as the Fund may require in order to fulfill its purpose. The level of grants within the Fund's program of operations will be determined by the Donors Committee. The Fund may also provide advisory services. Financing and advisory services may be provided to private sector entities, as well as to governments, government agencies, sub-national entities, non-governmental organizations, or others, to support operations that further the Fund's purpose.

Section 3. Principles for Fund Operations.

- (a) Financing from the Fund shall be provided under the terms and conditions of this MIF III Agreement consistent with the rules set out in Articles III, IV and VI of the Agreement Establishing the Inter-American Development Bank (the "Charter"), and, where appropriate, the policies of the Bank and the IIC applicable to their own operations. All regional developing member countries of the Bank and the CDB are potentially eligible recipients of financing from the Fund to the extent that they are eligible beneficiaries of financing from the Bank.
- (b) The Fund shall continue its practice of sharing the cost of operations with executing agencies, encouraging appropriate counterpart funding and adhering to the principle of not crowding out private sector activities.
- (c) In deciding on providing grant funds, the Donors Committee shall pay particular attention to the commitment of specific member countries to the mandate established for the MIF III, the potential to create opportunities for the poor and vulnerable populations, including women and indigenous peoples, and the implementation of the guiding principles for the Fund's activities.
- (d) Financing in the territories of countries which are members of the CDB, but not the Bank, shall be conducted in consultation and agreement with, or through, the CDB and under such conditions, consistent with the principles of this Section, as the Donors Committee shall decide.
- (e) Fund resources shall not be used to finance or pay for project expenses which have been incurred prior to the date the Fund resources may be available.
- (f) Grants may be made available on a basis which permits contingent recovery of funds disbursed, in appropriate cases.

(g) The Fund shall not be used to finance any undertaking in the territory of a regional developing member country of the Bank if that member objects to such financing.

(h) Fund operations shall include specific goals and measurable results. The developmental impact of the Fund's operations shall be measured in accordance with a results framework that takes into account the purpose and functions of the Fund as stated in Article I, and is to reflect best practices to the effect of:

i. the measurement of project-level and fund-level results and impacts, the Fund's efficiency, the degree of innovation, and the success at scaling-up innovation, lesson learning and knowledge;

ii. a framework for evaluating project-level and Fund results and impacts, and the appropriate measurement and evaluation tools; and

iii. public dissemination of results.

(i) Fund operations shall be designed and executed in order to maximize efficiency and development impact. The Donors Committee may approve partnering with local entities for project preparation and execution.

ARTICLE IV THE DONORS COMMITTEE

Section 1. Composition.

Each Donor may participate in and appoint a representative to meetings of the Donors Committee.

Section 2. Responsibilities.

The Donors Committee shall be responsible for the approval of all proposals for operations of the Fund and shall seek to maximize the Fund's comparative advantage through operations with high developmental benefits, efficiency, innovation, and impact in accordance with the functions of the Fund as specified in Article I, Section 2. The Donors Committee shall consider operations that follow such functions and decline to consider, or phase out, those that do not. In the fulfilling of its responsibilities, the Donors Committee shall strive for efficiencies and focus its attention on strategic matters.

Section 3. Meetings.

The Donors Committee shall meet at the principal office of the Bank as often as the business of the Fund requires. The Secretary of the Bank (serving as Secretary of the Committee) or any Donors Committee Representative may call a meeting. As necessary the Donors Committee shall determine its organization, rules of operation and procedures. A quorum for any meeting of the Donors Committee shall be a majority of the total number of representatives representing not less

than three-fourths of the total voting power of the Donors. Prospective Donors may attend meetings of the Donors Committee as observers.

Section 4. Voting.

- (a) The Donors Committee shall attempt to reach decisions by consensus. In cases where a decision cannot be reached by consensus after reasonable efforts, and unless otherwise specified in this MIF III Agreement, the Donors Committee shall reach decisions by a two-thirds majority of the total voting power.
- (b) The total voting power of each Donor shall consist of:
- (i) an amount equal to (A) such Donor's proportional votes in the MIF II divided by all proportional votes in MIF II, calculated as of the last day of the MIF II Agreement, multiplied by (B) the amount of the MIF II value of US\$120,600,000, plus
 - (ii) such Donor's Paid-in Contribution to the MIF III replenishment, this sum is to be divided by
 - (iii) an amount equal to (A) the MIF II value of US\$120,600,000, plus (B) the total of all Donors Paid-in Contributions to MIF III replenishment.
 - (iv) Voting power shall be adjusted quarterly as of the Effective Date of MIF III.
 - (v) Notwithstanding the above, in cases in which a Donor avails itself of the right to pay the full amount of its contribution under Article II, Section 1(b), its voting power shall be calculated only on the basis of full contribution amounts and only as of the date of each respective installment set forth in Article II, Section 1(b).

Section 5. Reporting and Evaluation.

When approved by the Donors Committee, the annual information statement submitted under Article V, Section 2(a) of the MIF III Administration Agreement shall be forwarded to the Bank's Board of Executive Directors. Any time after the first anniversary of the MIF III Effective Date, and at least every five years thereafter, the Donors Committee shall request an independent evaluation by the Bank's Office of Evaluation and Oversight, payable with resources of the Fund, to review Fund results in light of the purpose and functions of this MIF III Agreement; this evaluation shall continue to include an assessment of the results of project groups, based on benchmarks and indicators, for aspects such as relevance, effectiveness, efficiency, innovation, sustainability and additionality, and progress with regard to the implementation of recommendations approved by the Donors Committee. Donors shall meet to discuss each such independent evaluation no later than the following annual meeting of the Board of Governors of the Bank.

ARTICLE V TERM OF THE MIF III AGREEMENT

Section 1. Entry into Force.

This MIF III Agreement shall enter into force on any date on which Prospective Donors representing at least 60% of the total new contribution amounts to the MIF III set forth in Schedule A have deposited their Instruments of Contribution, whereupon the MIF II Agreement shall be restated as this MIF III Agreement and all assets and liabilities of the MIF II shall be governed by MIF III.

Section 2. Term of this MIF III Agreement.

This MIF III Agreement shall remain in force for a period of five years as of the Effective Date, and may be renewed for additional periods of up to five years. Prior to the end of the initial period or any renewal period, the Donors Committee shall consult with the Bank about the advisability of extending the operations of the Fund for the renewal period. At that time the Donors Committee, acting by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors, may extend this MIF III Agreement for the agreed upon renewal period.

Section 3. Termination by the Bank or the Donors Committee.

This MIF III Agreement shall terminate in the event that the Bank suspends or terminates its own operations under Article X of the Charter. This MIF III Agreement shall also terminate in the event that the Bank terminates the MIF III Administration Agreement under Article VI, Section 3 thereof. The Donors Committee may decide to terminate this MIF III Agreement at any time by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

Section 4. Distribution of Fund Assets.

Upon termination of this MIF III Agreement, the Donors Committee shall direct the Bank to make a distribution of assets to Donors after all the liabilities of the Fund are discharged or provided for. Any such distribution of remaining assets shall be made in proportion to each Donor's voting power under Article IV, Section 4. Balances remaining in any notes or similar securities shall be canceled to the extent payment thereunder is not required to meet Fund liabilities.

ARTICLE VI GENERAL PROVISIONS

Section 1. Adherence of new Donors to this MIF III Agreement.

This MIF III Agreement may be adhered to by any member of the Bank which is not listed on Schedule A. Any such signatory may adhere to this MIF III Agreement and become a Donor by

depositing an Instrument of Acceptance and an Instrument of Contribution in an amount, and on dates and conditions, approved by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors.

Section 2. Amendment.

(a) This MIF III Agreement may be amended by the Donors Committee, which shall reach decision by a vote of at least two-thirds of the Donors representing not less than three-quarters of the total voting power of the Donors. The approval of all Donors shall be required for an amendment to this Section, to the provisions of Section 3 of this Article which limit the liabilities of Donors, or an amendment which increases the financial or other obligation of Donors, or an amendment to Article V, Section 3.

(b) Notwithstanding the provisions of paragraph (a) of this Section, any amendment which increases the existing obligations of the Donors under this MIF III Agreement or involves new obligations of the Donors shall take effect for each Donor which has notified its acceptance in writing to the Bank.

Section 3. Limitations on Liability.

In the operations of the Fund, the financial liability of the Bank shall be limited to the resources and reserves (if any) of the Fund, and the liability of Donors as Donors shall be limited to the unpaid portion of their respective contributions that has become due and payable.

Section 4. Withdrawal.

(a) After full payment under a Qualified Contribution or an Unqualified Contribution, any Donor may withdraw from this MIF III Agreement by delivering to the Bank at its principal office written notice of its intention to do so. Such withdrawal shall become finally effective on the date specified in the notice but in no event less than 6 months after the notice is delivered to the Bank. However, at any time before the withdrawal becomes finally effective, the Donor may notify the Bank in writing of the cancellation of its notice of intention to withdraw.

(b) When a Donor has withdrawn from this MIF III Agreement, it shall remain liable for all its obligations under this MIF III Agreement, which shall have been in effect before the effective date of its notice of withdrawal.

(c) Arrangements for settling respective claims and obligations, entered into by the Bank and a Donor pursuant to Article VII, Section 7 of the MIF III Administration Agreement, shall be subject to approval by the Donors Committee.

Section 5. MIF II Donors.

Notwithstanding anything to the contrary in this MIF III Agreement, all countries listed on Schedule A that adhered to the MIF II Agreement shall have all of the rights afforded to "Donors" under this MIF III Agreement immediately upon the MIF III Effective Date.

IN WITNESS WHEREOF, each of the following Prospective Donors, acting through its duly authorized representative, has provided its signature page to this MIF III Agreement. Done in a single original, whose English, French, Portuguese and Spanish texts are equally authentic, which shall be deposited in the archives of the Bank which shall transmit a duly certified copy to each of the Prospective Donors listed in Schedule A of this MIF III Agreement.

Done in Asunción, Paraguay on the 2nd day of April, 2017.

SCHEDULE A

CONTRIBUTION QUOTAS OF PROSPECTIVE DONORS TO
THE MULTILATERAL INVESTMENT FUND III¹

Country	U.S. Dollar Equivalent of Contribution ²		
Argentina	\$	18,000,000	*
Bahamas	\$	3,000,000	*
Barbados	\$	-	
Belize	\$	1,000,000	*
Bolivia	\$	3,000,000	
Brazil	\$	18,000,000	*
Canada	\$	7,121,752	*
Chile	\$	10,000,000	*
China	\$	8,700,000	*
Colombia	\$	11,000,000	
Costa Rica	\$	4,000,000	*
Dominican Republic	\$	6,000,000	*
Ecuador	\$	6,000,000	
El Salvador	\$	4,000,000	*
France	\$	-	
Guatemala	\$	4,000,000	*
Guyana	\$	1,000,000	*
Haiti	\$	200,000	
Honduras	\$	5,000,000	*
Israel	\$	3,000,000	*
Italy	\$	5,000,000	*
Jamaica	\$	3,000,000	*
Japan	\$	85,000,000	*
Korea	\$	9,000,000	
Mexico	\$	18,000,000	*
Netherlands	\$	-	
Nicaragua	\$	5,000,000	*
Panama	\$	8,000,000	
Paraguay	\$	6,600,000	*
Peru	\$	10,000,000	*

¹ For the avoidance of doubt and as set out in the recitals to this Agreement, this Schedule A includes Donors that adhered to the MIF II Agreement and who retain their status as "Donors" pursuant to Article VI, Section 5 of this Agreement.

² In the case of pledges made in currencies other than U.S. dollars, calculated at IMF representative exchange rates arrived at by averaging rates on a daily basis during the six-month period ending on December 31, 2016.

* The Prospective Donor has indicated the expectation of a Qualified Contribution in accordance with Article II, Section 1 (c) of the MIF III Agreement.

Portugal	\$	1,000,000	*
Spain	\$	17,000,000	*
Suriname	\$	1,000,000	
Sweden	\$	3,350,000	*
Switzerland	\$	3,000,000	
Trinidad and Tobago	\$	3,000,000	*
United Kingdom	\$	2,682,335	
United States of America	\$	-	
Uruguay	\$	6,000,000	*
Venezuela	\$	12,000,000	
Total:	\$	311,654,087	