Impact-Linked Finance (ILF) has proven to be an effective means for unlocking the potential of high-performing enterprises. The ILF practice draws on substantial prior learning to lead to greater levels of inclusivity and tangible impact. In a brief survey of the common misconceptions for the effective application and design of Impact-Linked Finance, we found a number of key insights that will enable a deeper insight into the practical details and nuances of ILF selection and your priorities and for Impact-Linked Finance.

Better terms...

1. **Always, always align with the strategy of the enterprise**
   - Aligning understanding of the enterprise, being on strategy - which usually means to be within the industry and target market. There are specific ILF terms for this.
   - Enabling the enterprise to reach its impact goals at an even higher level.
   - A good understanding of the enterprise's long-term strategy is crucial - and the outcomes to be rewarded should be well aligned with it. There are two effective ways to do so:
     - Jointly discovering an opportunity to unlock a previously hidden impact and business potential.
     - Enabling the enterprise to develop a gender strategy and action plan. Attaching incentives to this will lead to the desired results. Consider including incentive payments in the TA budget.

2. **The greater the impact variance, the more ILF is needed**
   - Here, if the impact performance of an enterprise has been proven in the past, it will be easier to create a strategy (for example, by boosting the TA budget).
   - Reality shows that enterprises are constantly innovating and changing - and that their impact changes with them.

3. **The range of use cases is broad**
   - Today, we can target the different areas of impact that can be unlocked via a broad range of ILF instruments and features.
   - Making a commercially strong enterprise leaner and design impact.
   - Enabling an additional source of revenue and contributing to investments in innovation where an enterprise is at risk for lack of stability and sustainability.
   - Unlocking an enterprise's specific, previously hidden impact potential.
   - Helping an enterprise “step up”.
   - Realizing an enterprise not only by using additional beliefs but through the learned self.

4. **Too early for Impact-Linked Finance? Smart design makes all the difference**
   - Damage with a proof-of-concept bank or good SOGs can be certain features, which are used in the ILF design. This means ensuring annual impact performance targets and the use of contractors to set up a robust impact measurement and management system. After reaching these milestones, you would be able to implement ILF performance targets.

5. **Sector- and theme-specific funds enable comparability, learning and efficient implementation**
   - There is no doubt that bank-level impacts depend on the implementation of these sector-focused funds that deliver a more efficient transaction within the area of interest. We also need to understand the challenges and lessons learned from these experiments to make sure that there is a clear way forward.

6. **Combining incentives and technical assistance is a winning formula**
   - For example, a technical assistance (TA) activity may focus on supporting an enterprise to develop a gender strategy and action plan. Making sure that this is aligned with the desired impact and leads to the desired impact.
   - Consider including incentive payments in the TA budget.

7. **The Design Principles for Impact-Linked Finance continue to represent the most important benchmarks for good market practice**
   - We have been learning about the most important benchmarks for good market practice. This is the process of applying the Design Principles for Impact-Linked Finance. The principles are not a panacea, but an important step to more efficient, effective and more broadly understandable impact.

8. **Incentive schemes must be adaptive, not an exception**
   - High-impact enterprises are particularly dynamic and responsive to their environment. For this, high levels of adaptation. We learned that adaptability is crucial for the enterprise to support their ILF according to their needs.

When to apply ILF

- **01** “Always, always align with the strategy of the enterprise”
- **02** “The greater the impact variance, the more ILF is needed”
- **03** “The range of use cases is broad”
- **04** “Too early for Impact-Linked Finance? Smart design makes all the difference”
- **05** “Sector- and theme-specific funds enable comparability, learning and efficient implementation”
- **06** “Combining incentives and technical assistance is a winning formula”
- **07** “The Design Principles for Impact-Linked Finance continue to represent the most important benchmarks for good market practice”
- **08** “Incentive schemes must be adaptive, not an exception”

Find many more insights in our full report.