

Approach Paper

# Evaluation of IDB Lab

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## **ACRONYMS AND ABBREVIATIONS**

IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation (now IDB Invest)
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund (now IDB Lab)
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight (of the IDB Group)
SEP	Social Entrepreneurship Program
SME	Small and medium-sized enterprise

## I. INTRODUCTION

1.1 This approach paper defines the objectives, scope, approach, and methodology for the forthcoming evaluation of the IDB Lab, also known as the Multilateral Investment Fund (MIF),<sup>1</sup> by the Office of Evaluation and Oversight (OVE).

### A. Rationale

1.2 **OVE is conducting an evaluation of IDB Lab in accordance with the mandate for an independent evaluation of the most recent replenishment of the MIF.** A second capital replenishment of the MIF, approved by MIF Donors in April 2017 (document [AB-3127](#)), became effective in March 2019. The Agreement Establishing the MIF III (document [AB-3132-1](#)) lays out the expected functions of the fund and establishes that, any time after the first anniversary of the MIF III, IDB's Office of Evaluation and Oversight is to conduct an independent evaluation to (i) review Fund results in light of the purpose and functions of the MIF III Agreement, (ii) assess MIF operations for relevance, effectiveness, efficiency, innovation, sustainability, and additionality; and (iii) determine to what extent progress has been made toward implementing the approved recommendations of OVE's previous evaluation of the MIF.<sup>2</sup> Donors requested that OVE deliver an evaluation of IDB Lab in 2021 to inform discussions about the future and funding model of IDB Lab to take place that year. As a result, OVE included an evaluation of IDB Lab in its 2020/2021 work program (document [RE-543-2](#)). This will be the third independent corporate evaluation of the MIF conducted by OVE.<sup>3</sup>

### B. Context

1.3 **The MIF has seen substantial changes to its mandates over time.** In 1992, the Multilateral Investment Fund was established in the context of the economic liberalization and the privatization policy reform agenda of the 1990s with contributions of US\$1.3 billion from 21 donor countries. Subsequently, the MIF received two replenishments (MIF II and MIF III), each updating the entity's focus and priorities. From the outset, the fund was to provide grants, loans and equity.

1.4 **During its initial "MIF I" period (1992-2007), the general objective of the fund centered on public policy reforms and support to micro and small enterprises.** The Agreement to Establish the Multilateral Investment Fund (document [CV-38](#)) mandated MIF to: (i) encourage the development and implementation of reforms to facilitate increased private sector investment; (ii) encourage member countries in their efforts to implement development strategies based on sound economic policies; (iii) stimulate micro-enterprises, small business, and other entrepreneurial activities; (iv) help increase private sector investment, bear certain costs associated with the reforms, and broaden the

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<sup>1</sup> The MIF re-branded itself as "IDB Lab" in mid-2018. Throughout this document, the terms MIF and IDB Lab are used interchangeably.

<sup>2</sup> The exact language of the Agreement states: "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." (document [AB-3132-1](#), Article IV, Section 5).

<sup>3</sup> See section I.C. for more information about OVE's prior corporate evaluations of the MIF.

participation of SMEs in the economy; and (v) promote environmentally and socially sustainable development.

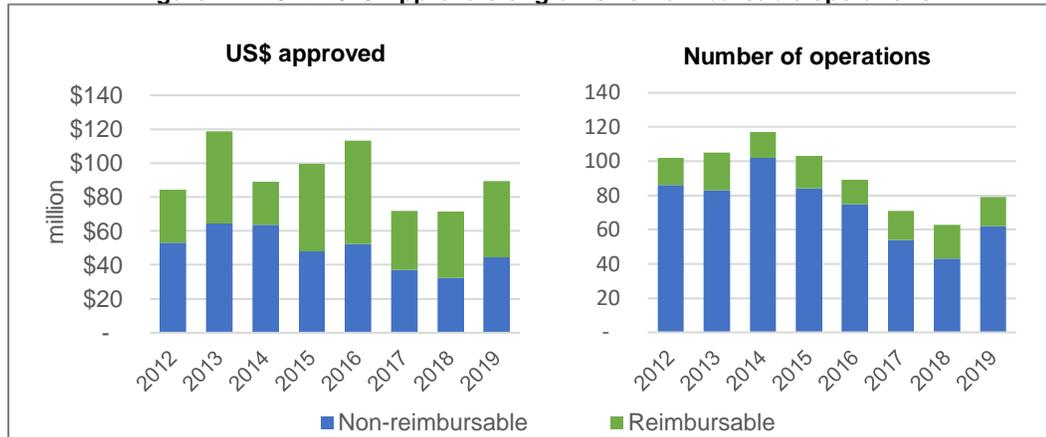
- 1.5 **The first replenishment shifted the MIF’s mandates toward more direct engagement with the private sector.** In 2005, the Donors Committee approved a US\$502 million replenishment of the MIF with contribution from 38 donors, which became effective in 2007. In accordance with the MIF II Replenishment Agreement (document [AB-2346-5](#)), the MIF’s focus shifted away from policy and regulatory reforms toward direct work with the private sector to promote growth and reduce poverty. This new focus was reflected in ten functions that the MIF II agreement mandated: (i) promote activities to improve the business environment; (ii) enhance competitiveness; (iii) stimulate micro- and small enterprises and other entrepreneurial activities; (iv) advance regional integration efforts; (v) share knowledge that assists in the development of the private sector, particularly of micro and small enterprises; (vi) encourage the use and application of technology; (vii) advance the application of innovative initiatives; (viii) complement the work of the Bank, the IIC and other multilateral development banks; (ix) encourage the implementation of appropriate legal and regulatory reforms; and (x) promote environmentally sound and sustainable economic development, as well as gender equality.
- 1.6 **To implement these mandates, the MIF re-oriented its activities around three “access areas.”** Approved as a part of the MIF work plan for 2010 (document [MIF/GA-21-1](#)), the MIF adopted a new strategic focus, the Access Framework, through which MIF operations aimed to increase access to basic services, access to finance, and access to markets and capabilities. The MIF re-organized its operational units around these three access areas. Moreover, it placed knowledge and learning at the center of the MIF by linking its knowledge function to operations.
- 1.7 **In 2017, Donors agreed to a second replenishment of the MIF (document [AB-3127](#)), which became effective in March 2019 (document [AB-3132-1](#)).**<sup>4</sup> The Agreement stipulates the general purpose of the MIF III as “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 member countries of the Bank and the developing member countries of the Caribbean Development Bank”. It defines MIF III’s ten functions as (i) identify, test, promote and support private-sector driven innovations in the region seeking to create opportunities for poor and vulnerable populations; (ii) promote the adoption of high impact innovation in the region, through replication and scaling; (iii) seek to ensure that innovations that are replicated are effective and have significant development impact; (iv) mobilize resources and crowd-in partners for scale; (v) promote knowledge creation and learning; (vi) operate in close alignment with the Bank and the IIC as a means to enhance effectiveness; (vii) promote environmentally sound and sustainable economic development, as well as gender equality and diversity, in the full range of its activities; (viii) enhance its development effectiveness through the establishment of specific goals and measurable results; (ix) adopt risk levels in accordance with its mandate to test the success and failure of innovative solutions; and (x) complement the work in the region of the Bank, the IIC and other partners.

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<sup>4</sup> US\$311.7 million were to be contributed by 36 donor countries to support the MIF’s activities from 2019 through 2023.

- 1.8 **In the 2016-2017 lead-up to its second replenishment, the MIF had undergone a strategic reorientation.** The updated strategic focus, first reflected in the MIF's 2016-2018 Business Plan (document [MIF/GN-208-1](#)) and the Strategic and Financial Plan 2019-2023 (document [MIF/GN-209-3](#)), was then summarized in the Final Report on the Future and Financing of the Multilateral Investment Fund (document [CA-581](#)), which became the basis for the 2017 Donors' MIF III resolution. The new strategic framework adopted by MIF Management oriented the MIF's activities around three new thematic areas: (i) inclusive cities, (ii) climate-smart agriculture, and (iii) knowledge economy. In addition, MIF-supported innovation projects were to consider three cross-cutting topics: gender and diversity, environmental and social sustainability, and the enabling environment. Moreover, the MIF vowed to align and collaborate more closely with the rest of the IDB Group to incorporate an IDB Group-wide view of the region's challenges and hence improve the identification of opportunities for joint or complementary work. The MIF's work was to be guided by, and tracked through, a corporate results framework as reflected in the MIF's new 2017-2023 Results Framework and Development Effectiveness Approach, which was initially approved in 2017 (document [MIF/GN-217-1](#)) and updated in 2020 (document [MIF/GN-217-3](#)). Other actions proposed by MIF Management included enhancing external partnerships and strengthening the MIF's approach to knowledge creation and learning.
- 1.9 **In the context of the MIF III replenishment, Donors also mandated that IDB Lab explore alternative funding options.** The 2016 resolution (document [AG-7/16](#)) asked that IDB Lab "reduce [the MIF's] dependence on periodic contributions from Donors as the principal funding source in the long term," and The Final Report on the Future and Financing of the MIF, on which MIF III was based, predicted that this was to be the last traditional replenishment (document [CA-581](#), Paragraph 6.27), with preliminary options for funding the MIF beyond 2023 laid out in a separate document ([MIF/GN-211-2](#)).
- 1.10 **As a result, the MIF committed to developing funding options for after MIF III and took steps to increase its efficiency and revenue base in the meanwhile.** As initially announced in the Final Report on the Future and Financing of the Multilateral Investment Fund (document [CA-581](#)), the 2019-2021 Business Plan (document [MIF/GN-235-3](#)) further affirmed Management's commitment to developing, and presenting to Donors, in 2021, alternatives for sustaining IDB Lab operations beyond 2023. To increase efficiency in the meanwhile, IDB Lab undertook a comprehensive workforce assessment, which resulted in a significant personnel reduction and the increased outsourcing of functions to other parts of IDB Group since 2017/2018. Moreover, IDB Lab has shifted its instrument mix: While the IDB Lab continues to approve more non-reimbursable operations than reimbursable operations (see right panel of figure 2.1 below), the share of loan and equity operations in total approved amounts rose from an average of 41% during 2012-2015 to 52% during 2016-2019 (see left panel of Figure 1.1 below).

**Figure 1.1. 2012-2019 Approvals of grants vs. reimbursable operations**



Source: OVE elaboration based on IDB and IDB Lab databases.

### C. Prior OVE evaluations

1.11 **OVE's first evaluation of the MIF, the final report of which was presented in 2004 (document [MIF/GN-78-18](#)), analyzed MIF activities since 1993.** The evaluation found that the MIF's operations were relevant, and activities most successful when they achieved a critical mass of resources as opposed to being too thinly spread across different initiatives. Over 80% of evaluated projects introduced innovation, but replicating and scaling was found to be a challenge. The evaluation suggested that key comparative advantages of the MIF were its exclusive focus on private sector development, its focus on innovation, its reasonable tolerance for failure, and its broad network of key institutions. Based on its findings, OVE identified several strategic and operational opportunities for improvement. At the strategic level, OVE suggested that MIF strengthen its role as a laboratory; prioritize high impact clusters; tailor instruments to market needs; align incentives to expected results; promote competition for MIF funds; and leverage partners. On the operational level, the MIF was advised to improve its identification of risks and its project preparation and implementation, and to better align the incentives for successfully preparing and executing projects.

1.12 **The final report of OVE's second evaluation of the MIF (document [MIF/RE-2-4](#)) was presented to the Donors Committee in 2013.** The evaluation covered the period of 2005-2011 and found that the MIF's portfolio was well-aligned with its mandate to promote growth, but that the MIF had yet to find a clear way to respond to its poverty reduction mandate and showed mixed results in achieving impacts beyond its immediate beneficiaries. The evaluation also noted that, while MIF had strengthened its experimentation and knowledge function, these were not yet integrated into the objective of scaling up interventions and thus achieving more systemic impact. The MIF's early success in producing systemic impacts in developing a new microfinance industry had not been replicated in other areas, although there had been some success in promoting the market for venture capital and early-stage equity. The evaluation's five recommendations, all of which were endorsed by the Donors Committee, were for the MIF to (i) implement a corporate results framework, ensuring that it preserves the MIF's flexibility to innovate; (ii) better define the MIF's strategy for targeting low-income beneficiaries and promoting poverty reduction; (iii) further specify and clarify the role of the public sector in scaling up innovation; (iv) strengthen the tracking of implementation and results; and (v) better define and strengthen the MIF's role as a knowledge broker.

## II. EVALUATION PURPOSE, FRAMEWORK AND APPROACH

### A. Evaluation purpose

- 2.1 **The purpose of this evaluation is to provide Donors and IDB Lab Management with information on the extent to which IDB Lab is on track to meeting its objectives as set out in the MIF III Agreement.** While it has been only about 1.5 years since the MIF III became effective, the strategic discussions about IDB Lab's future to take place next year prompt the need to take stock of whether IDB Lab is headed in the right direction. OVE will therefore evaluate whether IDB Lab is organized and oriented in a way that guides and enables it to meet its objectives, and to what extent its operations approved under the MIF III strategic focus reflect IDB Lab's mandates and put the organization on track to meeting its strategic objectives.

### B. Evaluative framework

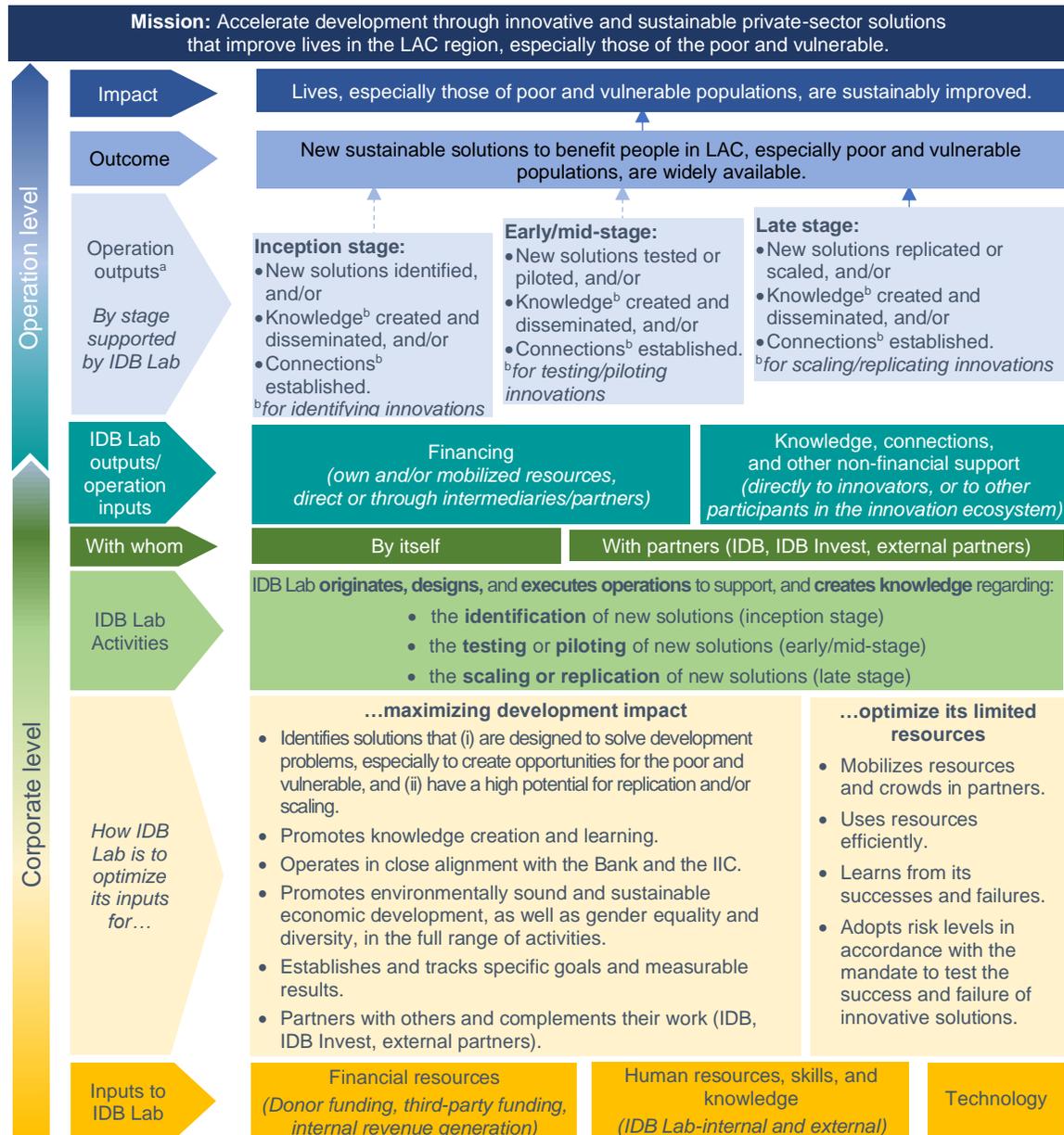
- 2.2 **To guide the evaluation, OVE constructed a theory of change which shows IDB Lab's mission and the pathways to reaching it.** To determine IDB Lab's mission, OVE considered the purpose laid out for IDB Lab by the MIF III Agreement,<sup>5</sup> as well as the higher-level rationale for institutions such as the IDB Group to support innovation in the first place, namely its potential to accelerate development. Interpreting development as a broad concept which ultimately aims at improving lives, OVE therefore understands that IDB Lab's overall mission is to "accelerate development through innovative private-sector solutions that improve lives in the Latin American and the Caribbean (LAC) region, especially those of the poor and vulnerable."
- 2.3 **The MIF III mandates also describe how IDB Lab shall use its resources to produce outputs that enable it to achieve its overall mission.** A theory of change describes how inputs are used to undertake activities which create outputs that in turn generate the outcomes and impacts that are desired to reach an objective. Whereas the MIF III Agreement (document [AB-3132-1](#)) does not explicitly group IDB Lab's mandates by type, they, combined with the rest of the MIF III Agreement, nevertheless present the building blocks which allow to derive a clear theory of change for IDB Lab (see Figure 2.1 below). It shows how, and to which end, IDB Lab is expected to provide direct and indirect financial or non-financial support, both by itself or partnering with others, to support innovative solutions at different stages of the innovation lifecycle. In addition to incorporating the mandates laid out in the MIF III Agreement, the theory of change constructed by OVE also reflects most of the recommendations of OVE's previous evaluation. For more details on how the theory of change relates to the MIF III Agreement and the recommendations of OVE's previous evaluation, see Annex II.
- 2.4 **The resulting theory of change will guide and anchor OVE's evaluation of IDB Lab and its operations.** To assess external strategic relevance, OVE will assess the extent to which IDB Lab's mission and mandates respond to development needs and complement what is offered by other relevant market participants. At the corporate level, OVE will evaluate how IDB Lab uses its

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<sup>5</sup> The Agreement Establishing the MIF III (document [AB-3132-1](#)) states that IDB Lab's general purpose shall be 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 (...)."

resources to undertake activities in line with the mandates which guide IDB Lab toward fulfilling its mission. At the operations level, OVE will evaluate to what extent the inputs provided by IDB Lab help interventions produce the outputs that enable innovations to be successful, sustainable, and scaled, so they can produce the aspired outcomes and lead to the desired impacts.

**Figure 2.1. A theory of change for IDB Lab**



Note: <sup>a</sup>The pathways from operation outputs at the inception and early/mid stages to the outcome are not direct, but rely on innovations to advance to and through later stages, a process which is usually facilitated by actors other than IDB Lab. Source: OVE elaboration.

## C. Evaluation approach

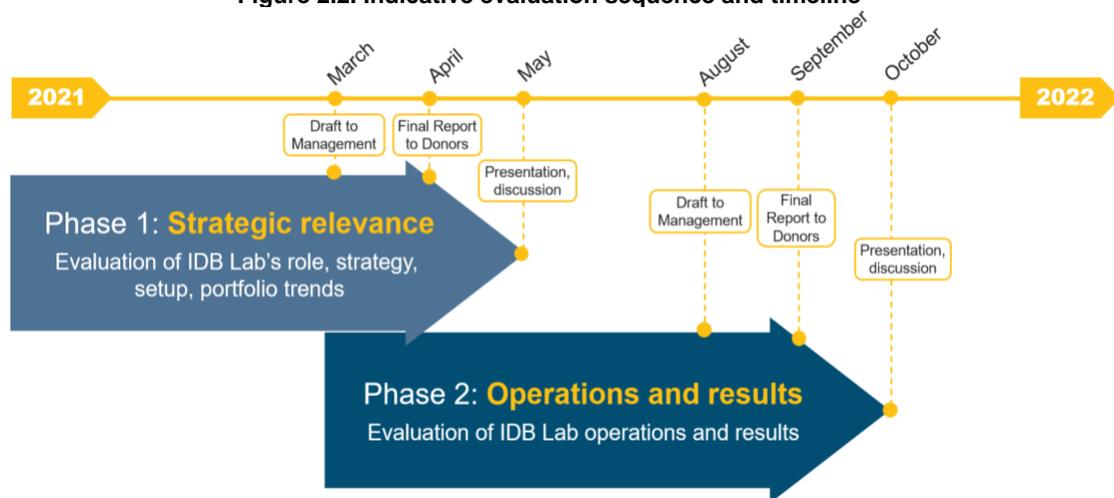
### 1. Sequencing

2.5 **OVE will conduct its evaluation in two overlapping phases, each concluding in a separate report to be delivered to the Donors Committee in 2021.**

Considering the broad scope of the evaluation mandate and the high importance of timely findings, especially on strategic aspects, to inform Donor discussions taking place in 2021, OVE will focus on assessing IDB Lab’s strategic relevance and corporate aspects in the first phase, and conduct an in-depth evaluation of IDB Lab operations in a second phase (see Figure 2.2 below). More specifically, the first phase will aim to shed light on the extent to which IDB Lab is set up (in terms of strategies, policies, processes, systems, tools, organization, and resources) to fulfill its objective. Moreover, OVE will analyze data on IDB Lab operations available at the aggregate level to glean the extent to which the data help shed light on how well the portfolio is aligned with IDB Lab’s mission.

- 2.6 **The second phase of the evaluation will assess IDB Lab operations in more detail to determine the extent to which IDB Lab is meeting its mandates through its operations.** It will determine the extent to which IDB Lab operations and knowledge products are designed and implemented in a way that allows them to deliver results in line with IDB Lab’s objective, and offer a comprehensive picture that combines the findings of both phases of the evaluation. For more detail on which evaluation questions will be answered in each phase, see the following section, as well as the Evaluation Design Matrix in the Annex.

**Figure 2.2. Indicative evaluation sequence and timeline**



Source: OVE.

- 2.7 **Conducting the evaluation in two phases has both advantages and disadvantages.** The main advantage is that producing a first report focused on strategic relevance will allow OVE to offer earlier key findings that can inform the 2021 discussions about the future IDB Lab funding model in a timely manner. In light of the relatively recent onset of MIF III, another advantage of leaving the analysis of operations to a slightly later stage lies in the additional time this allows for operational results to materialize and thus be evaluated. The main disadvantage of this approach is that the first report will not yet be able to fully assess to what extent the strategic focus and corporate setup adopted by IDB Lab has in fact translated in operations that will allow it to meet its mandates.

## 2. Evaluation questions

- 2.8 **This section lays out the main evaluation questions each evaluation phase intends to answer.** For more detail on how OVE intends to answer these questions, see the Evaluation Design Matrix in the Annex.

**a. Phase 1: Strategic relevance**

2.9 The first phase of the evaluation will focus on IDB Lab's relevance and strategic mandates, as well as their reflection in IDB Lab's corporate setup. Specifically, the main evaluation questions to be answered in this phase are:

Overall relevance

- i. To what extent do IDB Lab's mission and mandates respond to development needs of LAC, and how does IDB Lab complement what is offered by other participants in the broader ecosystem of financing for innovation in LAC?
- ii. To what extent, and how, does IDB Lab (in terms of its mandate, current strategic focus, product mix, and size) align with and complement the activities and operations of the rest of the IDB Group?

Corporate setup/internal relevance

- iii. To what extent does the corporate setup and strategic focus adopted by IDB Lab (including governance, organizational structure, resources, policies, processes, systems, and tools) provide IDB Lab with the ability, guidance, and incentives to deliver activities and outputs in a way which will allow it to fulfill its mission to accelerate development through innovative private-sector solutions that improve lives, especially those of the poor and vulnerable? In particular, the evaluation will assess the following aspects:
  - iii.a. To what extent does IDB Lab's Development Effectiveness Approach (including its Results Framework, the iDELTA, and other related tools and documents) reflect IDB Lab's mission and theory of change?
  - iii.b. To what extent does the strategic focus adopted by IDB Lab (as expressed in its business and annual work plans, thematic focus area and other policy documents) reflect IDB Lab's mission and theory of change?
  - iii.c. To what extent is IDB Lab's organizational and incentive structure (in terms of governance, organization, processes, systems, and human and financial resources) conducive to IDB Lab reaching its mission through its theory of change?
  - iii.d. What organizational approaches have been taken by organizations with similar mandates? What insights, if any, can we gain from them?

Aggregate portfolio trends

- iv. To what extent does IDB Lab's portfolio of operations at its aggregate level reflect IDB Lab's mission and theory of change, and how has it evolved over time? By analyzing aggregate information available in IDB Group and IDB Lab systems and databases, as well as through systematic text analysis of IDB Lab operational documents, will in particular look at the following aspects:
  - iv.a. How have IDB Lab operations evolved in terms of size, instrument mix, resource mobilization, thematic areas/sectors/topics supported, location, tenor, counterparts, linkages to other parts of the IDB Group or external partners, and other similar data?
  - iv.b. What has been the performance of operations in terms of timely implementation, milestones and results reached, as well as financial performance (for reimbursable operations)?

## b. Phase 2: IDB Lab operations and knowledge products

2.10 **The second phase of the evaluation will focus on evaluating IDB Lab operations approved since the broad strategic direction of MIF III was adopted under the 2016-2018 business plan.** OVE's analysis will be guided by the evaluation criteria established by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC), in addition to the dimensions of innovation and additionality mandated by the MIF III Agreement. As several of the OECD-DAC criteria present significant overlaps with the expectations for IDB Lab operations laid out by the MIF III Agreement, the below questions are grouped under the relevant OECD-DAC criteria and phrased to avoid redundancies. The main evaluation questions to be answered about IDB Lab operations in this phase are:

- i. **Relevance:** To what extent have IDB Lab operations responded to development needs and met the expectations laid out for operations by the MIF III Agreement? Specific relevance questions stemming from MIF III, and which are not covered by other criteria further below, are:
  - i.a. To what extent were operations designed to support private-sector-driven innovations, especially those that create opportunities for poor and vulnerable populations?
  - i.b. To what extent were the operations supported by IDB Lab suitable (in terms of operation type/instrument used, innovation stage and other relevant factors) and set up (in terms of concrete plans or arrangements) for replication and/or scaling?
  - i.c. To what extent did operations take lessons learned from prior IDB Lab experience, including both successes and failures, into account?
  - i.d. To what extent were operations deployed alongside, or otherwise relate to operations and other initiatives by the rest of the IDB Group?
  - i.e. To what extent, and in what ways, did IDB Lab partner with external partners?
  - i.f. To what extent were operations designed to promote sustainable economic development, as well as gender equality and diversity?
  - i.g. To what extent did operations establish specific goals and measurable results?
- ii. **Efficiency:** To what extent have IDB Lab operations used resources efficiently to generate the aspired results? Did IDB Lab take timely and appropriate decisions regarding resource allocation when operations proved unsuccessful?
- iii. **Effectiveness:** To what extent have IDB Lab operations reached their objectives and delivered their expected results, including the expectation to be replicated or scaled, or to create and disseminate knowledge? For operations replicated or scaled, by whom were they replicated or scaled? For operations not yet closed, to what extent are they on track to achieving their objectives and delivering their expected results?
- iv. **Sustainability:** What is the likelihood that the results of the intervention itself are sustainable, and/or that they will be sustained over time either through

eventual replication or scaling (for interventions at the earlier stages), or through further scaling (for interventions at late stages)?<sup>6</sup> Are there any risks to future sustainability and further replication or scaling? For innovations unlikely to be sustainable and/or scaled, to what extent was knowledge created that can help make future innovations more sustainable? For operations not yet closed, to what extent are identifiable sustainability risks addressed and mitigated in their design and implementation?

- v. **Innovation:** To what extent have IDB Lab operations supported novel solutions, and in which ways were these solutions innovative?
  - vi. **Additionality:** To what extent did IDB Lab operations provide financing or non-financial support (such as by providing technical advice or other knowledge and connecting to or crowding in relevant partners) not available from purely commercial sources, help mobilize otherwise unavailable resources, or both?
- 2.11 **Given the MIF III mandate to promote knowledge creation and learning, in phase 2 OVE will also evaluate knowledge created by IDB Lab more broadly, as well as its use not only in IDB Lab operations (see paragraph 2.2), but also outside of them.** The main evaluation questions to assess the fulfillment of this mandate are:
- i. What type(s) of knowledge does IDB Lab create, and which are the channels for its use and dissemination?
  - ii. Which audiences (including IDB Group-internal and external) does IDB Lab-created knowledge reach, and what do we know about its use by such audiences (to the extent possible to assess)?

### 3. Methodology

- 2.12 **OVE will employ a mix of evaluation methods to answer the evaluation questions.** The paragraphs below outline the methods OVE plans to use in each evaluation phase. To the extent that the need for more, fewer or different types of analysis on certain topics surges during the evaluation, OVE may adjust its methods to ensure efficiency and effectiveness of its work. For more detail on which methods OVE currently plans to employ to answer each evaluation question, refer to the Evaluation Design Matrix in the Annex.
- 2.13 **To assess strategic relevance, OVE will combine a desk review of relevant documents, processes, tools, and systems with interviews and other types of analysis.** OVE will conduct a comprehensive review of relevant IDB Lab and IDB Group strategy and policy, documents; processes, tools, and systems; and complement the desk review with in-depth interviews with relevant members of IDB Lab and IDB Group management, as well as with members of the Donors Committee. In addition to interviews with select IDB Lab and IDB Group subject matter expert staff, OVE also intends to employ a survey for IDB Lab personnel. To gain insights on different organizational approaches purpose-driven financing for innovation, OVE will review the corporate setup and practices of other key

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<sup>6</sup> Sustainability of the intervention results themselves is more relevant for interventions that are limited to, a specific local context, whereas further scaling or replication is more relevant for the sustainability of innovations that, to succeed, are meant to be applied more widely than in the specific intervention supported by IDB Lab.

actors in this space, including through interviews with representatives of such comparator institutions. To assess IDB Lab's strategic relevance within the broader ecosystem for innovation finance, OVE will produce an extensive mapping of this landscape and its key participants for the LAC region. To the extent feasible, OVE will utilize already available information gathered by IDB Lab or others from external counterparts and beneficiaries, but may complement this information by conducting additional surveys or interviews as needed to ensure data completeness, quality, credibility, and the triangulation of information. To determine portfolio trends, OVE conduct an extensive analysis of data on IDB Lab operations extractable from IDB Group databases, as well as through intelligent text searches across relevant operational documents.

- 2.14 **To evaluate IDB Lab operations, OVE will complement its extensive document desk review with interviews of relevant staff, counterparts, and other relevant partners.** For its analysis of the available documentation of the evaluation portfolio (see also paragraph 2.15 below), OVE will use a standardized review template. This desk review will be complemented by interviews with team leaders and information gathered through surveys and interviews<sup>7</sup> from relevant external counterparts, such as executing agencies and borrowers. For IDB Lab operations complementing IDB Group activities, OVE will also interview the responsible IDB Group staff. To the extent feasible and needed to complement the analysis in cases where the beneficiaries are different from IDB Lab counterparts, OVE may also interview select beneficiaries of closed operations. For evaluating knowledge aspects, OVE plans to complement the operation-level assessment by a study to analyze external knowledge dissemination and use.

#### 4. Evaluation portfolio

- 2.15 **For the analysis of portfolio trends based on aggregate data, the evaluation will consider all IDB Lab operations approved since 2012.**<sup>8</sup> In addition to ensuring continuity after the last evaluation's period of analysis (2005-2011), including operations approved since 2012 will allow OVE to more meaningfully analyze aggregate trends over time and compare the time periods before and after IDB Lab adopted the general strategic direction codified under MIF III (mid-2016).
- 2.16 **For the in-depth evaluation of operations in the second phase of the evaluation, OVE will focus on operations approved since June 2016.** While MIF III has been effective only since early 2019, OVE considers that the approval of the 2016-2018 business plan in June 2016 marks the moment from which on IDB Lab adopted its new strategic focus in anticipation of its third replenishment. In most aspects relevant to IDB Lab operations, such as the three thematic focus areas, the strategic focus adopted in June 2016 moreover continues to this date. Since June 2016, IDB Lab has approved 338 operations amounting to US\$382 million. Of this universe, OVE will evaluate all operations fully funded by MIF capital (274 operations for US\$282 million), as well as all operations co-financed with third-party funds (8 operations for US\$47 million). While the evaluation of phase 1

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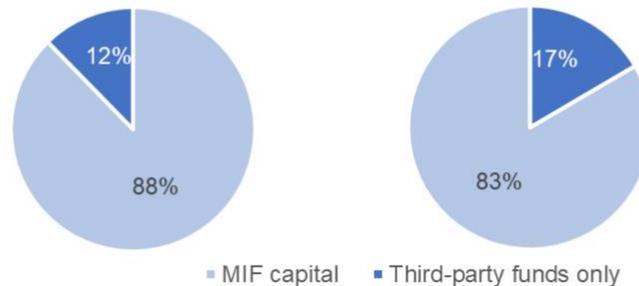
<sup>7</sup> OVE will use a survey to gather information from all executing agencies and borrowers and follow up with interviews for closed operations.

<sup>8</sup> Since January 1, 2012, IDB Lab has approved 790 operations totaling approximately US\$790 million. These 790 operations include operation funded with MIF capital as well as third-party funds, but exclude approvals for externally funded consultants to work at the MIF and other operations that do not correspond to IDB Lab projects (such as events). For more detail on the evolution of operation numbers, amounts and instruments since 2012, see also figure 2.1 above.

will consider IDB Lab’s use of third-party funds in the context of aggregate resource mobilization and management in phase 1, the in-depth evaluation of operations in Phase 2 will exclude operations funded exclusively by third-party sources (56 operations for US\$47 million, see also figure 2.3 below), as the direct applicability of the MIF III mandates to them is not evident.<sup>9</sup> The overall portfolio analysis in phase 1 will however include them wherever relevant, especially on aspects such as resource mobilization.

**Figure 2.3. Operations approved since June 2016: MIF capital vs. third-party funds only**

**Total approved: US\$382.3 million Number of operations approved: 338**



Source: OVE, based on IDB Group databases and own elaboration.

## 5. Limitations

- 2.17 **There are a number of methodological challenges for this evaluation.** The evaluation’s main challenge lies in its broad scope compared to its timeframe, which will require that OVE carefully balance tradeoffs between breadth, depth, and speed to deliver the best possible product within these constraints. A second methodological challenge stems from the profound organizational changes and personnel cuts that IDB Lab underwent in recent years, which could have resulted in loss of institutional knowledge that could have benefited evaluation insights. Third, the relatively recent implementation and thus limited track record of IDB Lab’s current mandates and structure further constrains OVE’s ability to fully evaluate its effectiveness. It also limits the extent to which operations approved under the new strategic direction of IDB Lab can already show results, and therefore OVE’s ability to fully assess their effectiveness.<sup>10</sup> A fourth difficulty lies in the significant amount of time needed to retrieve, clean, and fully understand relevant data given IDB Lab’s use of several disjoint systems and databases, and changes made to them over the last several years. This risk also implies that some data OVE intends to use to inform its analysis may not be available of the needed quality and within the required timeframe. Finally, the COVID-19 pandemic implies additional limitations. OVE assumes that field visits will remain infeasible during the data collection period of this evaluation, and that the evaluation team will continue to work remotely. While especially the absence of field visits can affect the nature and quality of the information OVE can collect, the team will try to overcome these challenges by using phone or video calls as much as possible. The economic fallout of the COVID-19 pandemic can also create difficulties in

<sup>9</sup> The third-party funds used by IDB Lab operations are typically from other Donor Trust Funds with their own distinct mandates. Also included in third-party funds are operations funded under the Social Entrepreneurship Program (SEP) with IDB ordinary capital.

<sup>10</sup> As of late September 2020, only 27 of the 282 operations OVE plans to evaluate in-depth had closed.

contacting relevant external counterparts, as firms may have gone out of business or laid off knowledgeable personnel. Notwithstanding these limitations, the chosen evaluation approach is designed to produce outputs which answer the evaluation questions as thoroughly and completely as possible.

### III. TEAM, TIMING OF DELIVERABLES, AND BUDGET

#### A. Team and timing of deliverables

- 3.1 The evaluation team consists of Ulrike Haarsager (team leader), Claudia Figueroa, Chiaki Yamamoto, Fernando Barbosa, Anna Funaro, Galia Rabchinsky, Melanie Putic, and Stefania De Santis. The team is also hiring an external consultant to support the mapping of the LAC innovation finance landscape (Phase 1) and plans to hire external consultants, or consulting firms, to support the assessment of knowledge-related aspects and parts of the operations analysis (Phase 2). The evaluation team will work under the general supervision of Ivory Yong-Prötzel, OVE Director.

**Table 3.1. Indicative evaluation timeline**

Activity	Date
Approach Paper to Donors	October 2020
Draft of 1 <sup>st</sup> Report (Phase 1) to Management	March 2021
Delivery of 1 <sup>st</sup> Report (Phase 1) to the Donors Committee	April 2021
Discussion of 1 <sup>st</sup> Report in Donors Committee	May 2021
Draft of 2 <sup>nd</sup> Report (Phase 2) to Management	August 2021
Delivery of 2 <sup>nd</sup> Report (Phase 2) to the Donors Committee	September 2021
Discussion of 2 <sup>nd</sup> Report in Donors Committee	October 2021

#### B. Indicative budget

- 3.2 Based on the proposed evaluation approach and assumptions made to the best of OVE's current knowledge, OVE estimates that the evaluation costs will sum to approximately US\$1.1 million (see Table 3.2 for a breakdown).

**Table 3.2. Estimated evaluation budget**

IDB Lab Evaluation Budget (US\$)	
Staff Costs	600,660.00
Research Fellows	180,000.00
External consultancies	300,000.00
Mission Travel	-
Miscellaneous Costs	20,000.00
<b>Total Budget</b>	<b>1,100,660.00</b>

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