



Corporate Evaluation

Evaluation of IDB LAB: Evaluation of Operations and Summary of Findings

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Office of Evaluation and Oversight



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[Management's Response](#)

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Acronyms and Abbreviations

CSA	Climate-Smart Agriculture
EA	Executing Agency
ICI	Inclusive Cities
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IIC	Inter-American Investment Corporation (now IDB Invest)
KEC	Knowledge Economy
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund (now IDB Lab)
OVE	Office of Evaluation and Oversight
PPP	Public-Private Partnership
SDG	Sustainable Development Goal
SMEs	Small and Medium Enterprises
TC	Technical Cooperation Grant

Preface

This report presents the findings of the second phase, as well as the overarching conclusions and recommendations, of an evaluation of IDB Lab performed by the Office of Evaluation and Oversight (OVE) of the Inter-American Development Bank (IDB). OVE conducted the evaluation in two overlapping phases. The first phase, conducted from April 2020 to May 2021, evaluated the relevance of IDB Lab’s mandate, strategic focus, and corporate setup (document [MIF/RE-5-6](#)). The second phase of the evaluation, conducted from February to October 2021, evaluated IDB Lab operations and knowledge products.

Until 2018, IDB Lab was known as the Multilateral Investment Fund (MIF).¹ The mandate for this independent evaluation stems from the second capital replenishment of the MIF (MIF III), which was approved by MIF Donors in April 2017 (document [AB-3127](#)) and 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 OVE is to conduct an independent evaluation to:

- (i) Review MIF 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 on implementing the approved recommendations of OVE’s 2013 evaluation of the MIF.²

Donors requested that OVE deliver an evaluation of IDB Lab in 2021 to inform discussions about the Lab’s future and funding model. As a result, OVE included this evaluation in its 2020–2021 Work Program (document [RE-543-2](#)) and developed an Approach Paper (document [MIF/RE-5-2](#)), issued in October 2020.

1 This evaluation uses either term, MIF or IDB Lab, depending on the context.

2 The 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).

This is OVE's third independent corporate evaluation of the MIF requested by Donors. OVE's first evaluation, presented in 2004 (document [MIF/GN-78-18](#)), analyzed MIF activities since 1993. The evaluation found that the MIF's operations were relevant and its activities most successful when they reached a critical mass of resources in the same line of action as opposed to being spread too thin across initiatives. In addition, more than 80% of evaluated projects introduced elements of innovation. Replicating and scaling, however, remained a challenge. The evaluation suggested that the MIF's key comparative advantages included its exclusive focus on private sector development, its focus on innovation, its tolerance for failure, and its network of key institutions. Based on these 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. At the operational level, OVE advised the MIF to improve its identification of risks and its project preparation and implementation, and to better align the incentives for successfully preparing and executing projects.

The OVE's second evaluation of the MIF (document [MIF/RE-2-4](#)) was presented to the Donors Committee in 2013. Covering the period 2005–2011, the evaluation found that the MIF's portfolio, on the one hand, was well aligned with its mandate to promote growth but, on the other hand, had yet to find effective ways to meet its poverty reduction mandate; in addition, any benefits beyond its immediate beneficiaries were mixed. The evaluation also noted that, while the MIF had strengthened its experimentation and knowledge functions, these were not yet integrated into the objective of scaling up interventions to produce a greater systemic impact. The MIF's early success with the microfinance industry was not replicated in other areas of MIF's engagement, although it was able to promote the market for venture capital and early-stage equity. The Donors endorsed the evaluation's five recommendations for the MIF: (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.

The present evaluation, OVE's third independent corporate evaluation of the MIF, analyzes the extent of progress toward implementing the recommendations of OVE's second evaluation.

Executive Summary

This report presents the findings of the second phase of an evaluation of IDB Lab, as well as overarching conclusions and recommendations based on both evaluation phases. Known until 2018 as the Multilateral Investment Fund (MIF), IDB Lab is the main window through which the IDB Group supports private sector innovation, directing IDB grants, loans, and equity investments to firms and other entities in Latin America and the Caribbean (LAC) to support innovations and provide opportunities for poor and vulnerable populations. Established in 1992 and funded by periodic replenishments, IDB Lab is a trust fund with its own governance system, including a Donors Committee comprising 40 donor country representatives. For the most recent replenishment (MIF III) Donors agreed to contribute US\$311.7 million in fresh resources, which are projected to be mostly depleted by 2023. The MIF III Agreement (document

AB-3132-1), which became effective in 2019, also mandated this evaluation, the third that OVE has carried out on MIF. Donors requested that OVE deliver its evaluation, which was conducted in two phases, in 2021 to inform discussions currently taking place about the future and funding model of IDB Lab.

Purpose, methodology, and portfolio

The purpose of both evaluation phases is to provide Donors and IDB Lab Management with an assessment of the extent to which IDB Lab is on track to meet its objectives as set out in the MIF III Agreement. The first phase focused on assessing IDB Lab's mandates, strategic direction, and corporate setup (document MIF/RE-5-6), resulting in five main conclusions (Table i.1), but did not issue recommendations. The second evaluation phase assessed the extent to which the operations supported by IDB Lab allow it to make progress toward its mission. The recommendations issued in this report are based on the combined findings of both phases.

Table i.1. Synthesis of conclusions of the first evaluation phase

<p>1. Supporting private sector innovation continues to be relevant, as the LAC region still lags other regions in terms of how much innovation it generates. Investment in innovation remains scarce overall and highly concentrated in a few countries. OVE cannot ascertain, however, to what extent the IDB Group or IDB Lab have a distinctive role in financing and supporting innovation.</p>
<p>2. IDB Lab’s governance structure is comparatively heavy, and Donors have set out numerous mandates for IDB Lab that are often at odds. IDB Lab is expected to support scalable private sector innovations but do so with a focus on poor and vulnerable populations, which may not generate enough revenue for most innovations to be financially viable. Furthermore, its mission as a lab implies that it intervenes long before scaling can be observed. It is tasked to be a lab that experiments and takes risks, but at the same time to be alert to financial sustainability. It is expected to support innovations that scale through the rest of the IDB Group, in spite of a lack of clarity as to whether this scaling path is efficient. Taken together, these broad and conflicting mandates can pull IDB Lab into too many disparate directions for it to be effective. Finally, the large and resource-intensive Donors Committee stands in contrast to IDB Lab’s small size and the governance practices of its peer organizations.</p>
<p>3. The strategic focus adopted by IDB Lab Management is too broad and fails to make explicit how certain activities respond to both its mandates and the LAC region’s heterogeneous needs. This is true especially of the Lab’s emphasis on technology-based innovations, the reconciliation of which with the mandate to benefit the poor and vulnerable requires clarity on how to overcome the many barriers these populations face in accessing and using technology. The very broad strategic focus, coupled with evidence that IDB Lab and IDB Group staff lack clarity regarding IDB Lab priorities, points to a risk that IDB Lab may originate a portfolio that is too dispersed for impact in any one area.</p>
<p>4. While collaboration between IDB Lab and the rest of the IDB Group has significantly increased, there is a need to better define IDB Lab’s role within the IDB Group, and, as a result, the most efficient and effective ways to collaborate with and complement each other.</p>
<p>5. IDB Lab needs to strengthen results tracking, knowledge creation, and learning. Its role as a lab means that learning what works and what does not work, and why, is essential for its effectiveness. Attention to knowledge creation and learning has, however, been insufficient, and inadequacies in IDB Lab’s systems and processes pose barriers to systematic learning from operations. IDB Lab’s aggregate results indicators do not meaningfully express the effectiveness of the types of projects it supports, and IDB Lab still needs to better specify what knowledge and knowledge products to focus on given its limited resources.</p>

Source: OVE, based on the final report of the first phase of the third evaluation (document MIF/RE-5-6). That phase furthermore found only limited progress toward implementing the recommendations of OVE’s prior (second) evaluation.

To evaluate IDB Lab projects, knowledge activities, and platforms, OVE employed a variety of methods. The evaluation of IDB Lab projects reviewed the main characteristics of all 320 projects approved during the MIF III strategy period and also performed an in-depth review of 139 projects drawn as a stratified random sample, somewhat oversampling advanced projects to better assess long-term effectiveness. The information sources used included project documents and databases, surveys of team leaders and executing agencies (EAs), and interviews with team leaders of the most advanced projects. The evaluation also took stock of the knowledge products produced and events organized by IDB Lab and its projects, and it reviewed the seven platforms IDB Lab supports.

IDB Lab approved 320 projects partially or fully funded by MIF capital between mid-2016 and the end of 2020. OVE considers mid-2016—when IDB Lab’s 2016–2018 Business Plan (document MIF/[GN-208-1](#)), which outlined the new strategic focus adopted for the MIF III replenishment, was approved—to be the beginning of the MIF III period. The 320 project approvals amount to US\$381.6 million in MIF capital, as well as US\$72.1 million in co-financing from IDB-

managed trust fund resources. Almost half of the evaluated projects were approved in 2019 and 2020, illustrating the young nature of the portfolio. Whereas the share of reimbursable financing remained roughly constant during the MIF III period, IDB Lab has diversified its mix of reimbursable instruments. The largest share of IDB Lab projects has benefited the Central American region, although projects with a regional focus have seen the highest approved amounts. IDB Lab projects support a wide range of activities and usually involve more than one activity: most commonly, the adoption or development of technology is paired with access to financing for small and medium enterprises and start-ups, upskilling and training, or the development of sustainable production practices.

Alignment and additionality

IDB Lab's project portfolio is aligned with its mandates and more focused than its broad thematic emphasis would suggest; nonetheless, it encompasses a very diverse set of activities. The purpose of IDB Lab, according to MIF III, is to promote sustainable development by supporting innovation through the private sector and by creating opportunities for poor and vulnerable populations. With respect to promoting sustainable development, the evaluation found that virtually all IDB Lab projects align with at least one Sustainable Development Goal, and that two-thirds of projects approved during the MIF III period address at least one of IDB Lab's two cross-cutting issues (gender and diversity, and environmental sustainability and climate change). IDB Lab's project portfolio is highly concentrated in just three of the nine sub-areas established by its thematic focus, but the projects within these "verticals" are too diverse to offer clear insights on IDB Lab's main business lines. OVE's review also found that a large majority of sample projects were executed through private sector entities, and that almost all either directly or indirectly supported innovation, based on the available evidence. The largest share of supported innovations within the sample corresponded to product innovations, and testing and piloting was the most frequently supported innovation stage. More than half of supported innovations included the use of technology.

Most solutions supported by IDB Lab are moderately innovative. Despite a recent strategic focus on disruptive innovations, most IDB Lab-supported solutions are incremental in nature, in that they constitute improvements to existing products and services. Most supported innovations are new only to the specific country or project context, with very few being globally innovative. This finding signals that IDB Lab focuses on relatively lower-risk projects in the innovation space.

A majority of IDB Lab projects are intended to benefit poor and vulnerable populations, but their documentation often does not spell out risks to the materialization of the desired results. A large majority of IDB Lab sample projects explicitly target the poor and vulnerable as direct or indirect beneficiaries, or are otherwise likely to entail benefits to them. Projects explicitly targeting these populations are less likely to be executed by profit-seeking entities and to be funded with reimbursable instruments. Despite the sometimes strong assumptions needed for, and risks posed to, the materialization of the intended benefits for poor and vulnerable populations, IDB Lab project documents often fail to explicitly acknowledge these assumptions and risks.

There are indications that IDB Lab provides both financial and nonfinancial additionality through its projects. IDB Lab continues to serve underserved market segments and to provide products that are scarcely or not at all available from commercial sources. Many evaluated IDB Lab projects were co-financed by third parties, although it is not possible to say exactly how much in co-financing materialized or what role IDB Lab played to crowd in those resources, since this information is not tracked. IDB Lab also provides nonfinancial additionality (knowledge, connections, etc.), which its clients value.

Efficiency, effectiveness, and sustainability

Only one-third of IDB Lab projects are implemented within their expected time frame, and project costs are not always well documented. Of the sample projects studied, 48% had seen limited delays and another 14% significant delays. Only about 7% of all IDB Lab portfolio projects have been canceled to date. Although the COVID-19 pandemic has recently had adverse effects on execution, EA capacity and commitment issues remain the most important project-endogenous delay drivers. Based on information provided by team leaders, cost overruns are rare, but the reliability of this information is uncertain as supervision documents rarely formally track project costs.

IDB Lab's project monitoring practices exhibit important weaknesses. Established indicators are frequently not monitored to a full extent, many projects lack complete up-to-date supervision information, and the evolution of project costs and reasons for project delays and cancellations are not always documented. Even if the data aggregation and grouping capacity of systems is improved, these shortcomings will continue to constrain IDB Lab's ability to know which projects fail, which succeed, and why, as well as to learn from its operations.

It is unclear to what extent project-level learning is optimal, but there is evidence that IDB Lab partners extensively with the rest of the IDB Group and external entities through means including platforms. Although IDB Lab reports that it frequently builds on knowledge previously generated by IDB Lab itself or by the rest of the IDB Group, such learning is not always documented. Based on the available evidence, it is not possible to ascertain whether IDB Lab learns effectively and efficiently at the project level. IDB Lab has increasingly used platforms to join forces with others in the pursuit of common objectives. While all platforms supported by IDB Lab connect relevant parties, they differ substantially in other aspects. Most are in their early stages, preventing a full assessment of how efficiently the platforms model delivers on expected results.

Based on information provided by IDB Lab and EAs, a majority of IDB Lab projects seemed to be on track to achieve their expected results. About half of evaluated projects had established results matrix indicators and milestones that were not or only somewhat appropriate for understanding whether or not the supported solution was going to successfully reach its objectives. In addition, it was not possible to collect evidence from sources external to IDB Lab or the projects without field missions or extensive research. Therefore, to assess effectiveness, the evaluation team incorporated information from other relevant documents as well as from surveys and interviews with IDB Lab personnel and EAs. Among the 94 sample projects that were sufficiently advanced, about 80% had at least somewhat up-to-date and appropriate results information. Of those, more than three-quarters appeared to have reached, or be on track to reaching, their stated objectives and results. For the remaining 20%, for which OVE collected additional information, fewer than half seemed to be on track. Among the projects that were achieving their objectives, the team came across some that are already producing considerable benefits and which have the potential for significant impacts if scaled further. Targeting poor and vulnerable populations seems to be correlated with lower rates of achievement of project results, but most other comparisons of effectiveness, based on different project characteristics, provide inconclusive results. Due to inadequate results tracking, only a minority of completed projects can prove the full achievement of their specific objectives for poor and vulnerable populations and on cross-cutting issues. Apart from development objectives, reimbursable projects usually have financial return expectations as well, but it is too early to fully assess their achievement given the long tenors of reimbursable projects.

Based on information provided by IDB Lab and EAs, most completed IDB Lab projects were deemed sustainable, and about one-third have been scaled or replicated to date. About two-thirds of completed IDB Lab projects were deemed sustainable, whereas somewhat more than one-third have been scaled or replicated to date. A large

majority of IDB Lab-supported solutions, according to their approval documents, were intended eventually to be scaled or replicated, although the concreteness of scaling/replication plans differed among them. For most of these projects, it is not (yet) possible to say whether they will or will not be scaled or replicated—there is evidence of scaling, which usually takes place through the EA, for about one-third of closed projects, although only one-quarter have scaled to the planned extent or beyond. For a significant number of completed projects (23%) there was insufficient information to know whether they have or have not been scaled or replicated so far. More generally, the typically early stages during which IDB Lab intervenes and the limited time during which projects are monitored before their completion prevent definitive findings on the extent of scaling of IDB Lab projects.

Knowledge products

IDB Lab produces knowledge both at the corporate level and through its projects, but there is limited evidence about the extent of their production, their use, and their usefulness. While about three-quarters of IDB Lab projects were intended to generate knowledge products, there is no consistent tracking of the extent to which such products in fact materialize. The available evidence, such as the download statistics on certain IDB Lab publications, is too limited to determine the levels of use of IDB Lab knowledge products and whether they are appropriate or useful for their intended purpose. Many IDB and IDB Invest specialists consider IDB Lab knowledge products to add value, and EAs generally appreciate knowledge generated by IDB Lab projects. Other sources, however, point to weaknesses in the effective use of knowledge created through these projects. Most of the IDB Lab staff survey respondents said they consider IDB Lab itself not to have effective procedures in place to learn from projects.

The market, sector, and thematic knowledge products published by IDB Lab are mostly aligned with IDB Lab's thematic priorities in the MIF III period, but they are aligned with different verticals than its operational program. Almost 60% of those publications are strongly aligned with at least one of the nine thematic verticals, while some (mostly older) publications align not with MIF III but with MIF II priorities. The concentration of knowledge products in different verticals than IDB Lab financing projects can indicate that IDB Lab attempts to cover more of its thematic focus through knowledge products than through projects but that, nevertheless, many knowledge products may not contribute to learning in IDB Lab's main operational focus areas. In line with IDB Lab's mandate to increasingly align with and complement the rest of the IDB Group, coupled with a reduction in funding for knowledge activities, IDB Lab events have shifted to targeting mainly Group-internal audiences

during the MIF III period. Maintaining alignment of IDB Lab’s flagship event, Foromic, with the Lab’s changing strategic priorities has been a challenge.

Prior recommendations

IDB Lab has made limited progress on the recommendations issued by OVE’s 2013 evaluation of the MIF. OVE’s first recommendation—to create a corporate results framework that preserves IDB Lab’s ability to innovate—is implemented in the form of IDB Lab’s system of key performance indicators. The usefulness of this framework, particularly for the reporting of meaningful results, is, however, limited. OVE’s second recommendation—to better define IDB Lab’s strategy for targeting low-income beneficiaries—is reflected in some of the defining language about its thematic focus areas that identifies interventions with the potential to benefit low-income populations. There is, however, no formal guidance on how to select and design interventions to overcome the digital divide that often prevents technology-based innovations from reaching the poor and vulnerable; moreover, project documents often fail to acknowledge the risks posed to and assumptions needed for the materialization of benefits for target populations. OVE’s third recommendation—to further specify and clarify the role of the public sector in scaling up innovation—continues to apply, as new innovation labs have been created within IDB to address government needs for innovation, and the public sector scaling path through IDB operations presents practical challenges. OVE’s fourth recommendation was to strengthen the tracking of implementation and results, an area in which IDB Lab practices still exhibit weaknesses at both the project and the aggregate level. OVE’s fifth recommendation—to strengthen IDB Lab’s role as a knowledge institution—still applies, as the Lab’s knowledge activities need further focusing at the strategic level; furthermore, the practices, processes, and systems that help IDB Lab better understand the knowledge creation potential of its activities, and that facilitate knowledge generation and learning, require further strengthening at the project and aggregate levels.

Recommendations of this current evaluation

Based on the evaluation findings and conclusions from both evaluation phases, OVE recommends the following:

To Donors

- 1. Clarify IDB Lab’s mandates, acknowledging trade-offs between them.** OVE recommends that Donors engage in a dialogue with IDB Lab Management to ensure that the current—and potential future—mandates established by Donors lay out clear and achievable objectives for IDB Lab. Where there are trade-offs and incompatibilities in the mandates, redefine the mandates

to reduce such incompatibilities or clarify expectations with respect to how IDB Lab should prioritize. Particular attention should be given to what the mandates, such as focusing on poor and vulnerable populations, being a laboratory, and functioning as a knowledge agent, imply for IDB Lab's risk taking and funding needs.

- 2. Seek avenues to further improve the efficiency of the Donors Committee.** Compared with those of its peers, IDB Lab's governance structure is larger, more resource-intensive, and more involved in approving day-to-day operations. Despite the improvements made in 2018 and 2020, OVE recommends that Donors adopt additional ways to oversee IDB Lab more efficiently and effectively.

To IDB Lab Management

- 3. Further focus, clarify, and communicate IDB Lab's strategic priorities.** Better define and sharpen the focus of IDB Lab's strategic priorities to align expectations and build a portfolio suitable for impact and learning. To do so, engage in frank and open exchanges with Donors and with IDB and IDB Invest management and staff. Ensure that IDB Lab's role within and expected value added to the IDB Group are clarified to take into account the potential not only for synergies and opportunities but also for resource limitations, as well as practical and efficiency considerations. Ensure that key terms used are clearly defined. Clearly communicate these priorities to IDB Lab staff, the IDB Group, Donors, and other relevant stakeholders.
- 4. Strengthen IDB Lab's ability to track and report results and to learn from its activities.** Ensure that project results frameworks align with the project objectives outlined in approval documents, including those pertaining to poor and vulnerable populations and cross-cutting issues. Include clear and measurable indicators that make it possible to determine the extent to which objectives are reached, and whether supported solutions fail or succeed. Specify the risks projects face in achieving their goals. Clearly differentiate those project objectives whose achievement can be documented during the duration of IDB Lab's involvement from any additional expectations for possible indirect or subsequent impacts, on which data will not be collected and the achievement of which cannot be verified. Improve the consistency with which results indicators and other relevant information, such as project cost, are monitored. Enhance IDB Lab's ability to aggregate and disseminate the information it generates at the project level by strengthening its systems and continuing efforts to create spaces for systematic exchanges among IDB Lab staff and within the IDB Group. Review IDB Lab's

aggregate results assessment and tracking tools with a view to better capturing whether or not supported solutions have succeeded or failed, including indications (such as evidence of follow-on funding, progression to the next innovation stage, or scaling/replication) of the extent to which solutions are likely to expand the results they generate after IDB Lab's support ends.

- 5. Improve IDB Lab's ability to better understand how supported solutions evolve after project completion.** Given the early innovation stages at which IDB Lab usually intervenes and the limited time during which IDB Lab typically follows the solutions it supports, little information is available about the extent to which supported solutions continue to grow, are scaled or replicated, and otherwise evolve to generate more widespread impacts. While collecting relevant information after projects have been completed is methodologically challenging and resource intensive, it is nonetheless important if IDB Lab is to gain a better understanding of the extent to which it complies with its mandate to support high-impact innovation through replication and scaling. OVE therefore recommends that IDB Lab develop and implement a plan—specifying methodology and resource requirements—to assess, at appropriate intervals after operations have been completed, how individual supported innovations or groups of such innovations have further evolved, including the extent to which they have scaled up both activities and results. In developing this plan, IDB Lab should build on lessons learned from any prior similar efforts, as well as on relevant peer practices and experiences.



01

Evaluation scope,
questions, and
methodology

1.1 The purpose of this evaluation is to provide Donors and IDB Lab Management with an assessment of the extent to which IDB Lab is on track to meet its objectives as set out in the MIF III Agreement. In the first phase, the Office of Evaluation and Oversight (OVE) focused on evaluating whether IDB Lab is organized and oriented in a way that guides and enables it to meet its mandates (document [MIF/RE-5-6](#)). The second phase of the evaluation assessed to what extent the projects¹ approved and the knowledge products generated under the MIF III strategic focus, and their results to date, put the organization on track to meet its strategic objectives. This report presents the findings of the second phase, as well as overarching conclusions and recommendations that take the findings of both phases into account.

A. Scope of the evaluation's second phase

1.2 The second evaluation phase evaluated the extent to which the projects supported by IDB Lab allow it to make progress toward its mission. To anchor this evaluation, OVE developed a theory of change for IDB Lab (Figure 1.1) based on the purpose and functions laid out for IDB Lab by IDB Lab Governors in the context of the MIF III replenishment (document [AB-3132-1](#)).² Whereas the first phase of the evaluation focused on the corporate (lower in Figure 1.1) part of the theory of change, the second phase focused on the operation-level (upper) part of the theory by evaluating the extent to which IDB Lab's operations contribute to its mission.

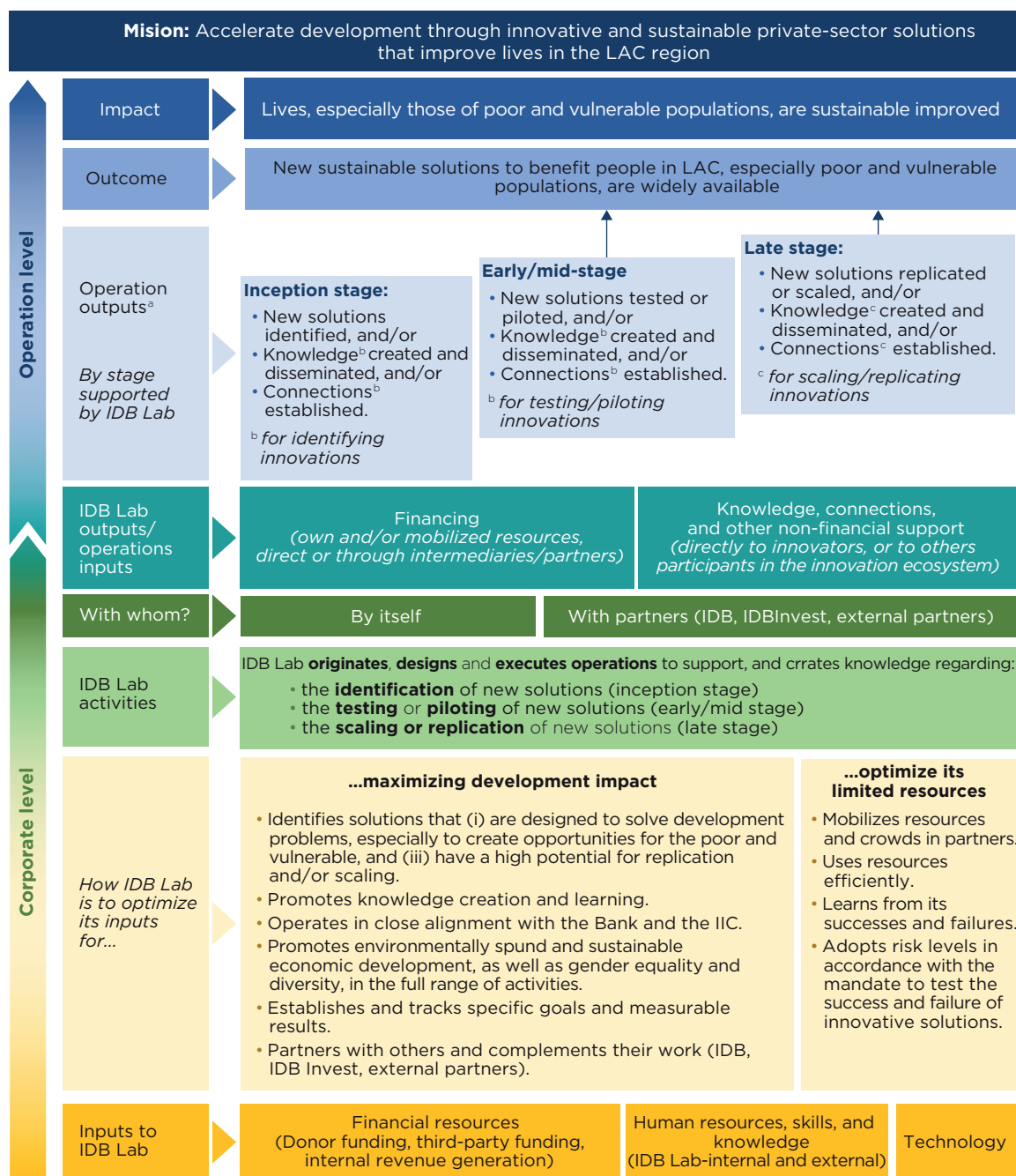
1 The term *project* is used instead of *operation*, as projects were the relevant units of analysis. Due to the way operations are recorded in IDB Group systems, one IDB Lab project can consist of several operations.

2 For more detail on what the theory of change is based on, refer to the Approach Paper for this evaluation (document [MIF/RE-5-2](#)).

Figure 1.1

IDB Lab's theory of change

Source: OVE elaboration (based on document AB-3132-1).



Note: LAC = Latin America and the Caribbean. IIC = Inter-American Investment Corporation. ^a The pathways from operation outputs at the inception/early/mid stages to the outcome are indirect as they rely on innovations advancing through later stages, in a process usually facilitated by other actors.

B. Evaluation questions

1.3 The questions guiding this evaluation are based on the MIF III evaluation mandate. The MIF III Agreement (document AB-3132-1) established that OVE was to “review Fund results in light of the purpose and functions of this MIF III Agreement; [...] include an assessment of the results of project groups [...] 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.” As part of determining the evaluation approach, as laid out in the Approach Paper for this evaluation, OVE developed a set of evaluation questions based on this mandate. Table 1.1 presents the questions for the second evaluation phase as outlined by the Approach Paper and shows the respective chapter(s) in which questions will be addressed in this report.

Table 1.1. Report structure and evaluation questions

Report section	Evaluation questions
Chapter II. Projects: Portfolio Description, Alignment (Including Innovation), and Additionality	<ul style="list-style-type: none"> • 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, which are not covered by other criteria given below, are as follows: <ul style="list-style-type: none"> ○ To what extent were operations designed to support private sector-driven innovations, especially those that create opportunities for poor and vulnerable populations? ○ To what extent were operations designed to promote sustainable economic development, as well as gender equality and diversity? • To what extent have IDB Lab operations supported novel solutions, and in which ways were these solutions innovative? <ul style="list-style-type: none"> ○ 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? • 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?
Chapter III. Projects: Efficiency, Effectiveness, and Sustainability	<ul style="list-style-type: none"> • To what extent have IDB Lab operations used resources efficiently to generate the aspired-to results? Did IDB Lab make timely and appropriate decisions regarding resource allocation when operations proved unsuccessful? <ul style="list-style-type: none"> ○ To what extent were operations deployed alongside or otherwise related to other operations and initiatives by the rest of the IDB Group? ○ To what extent did operations take into account lessons learned from prior IDB Lab experience, including both successes and failures? ○ To what extent, and in what ways, did IDB Lab partner with external entities? • 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 (and what are the channels for knowledge use and dissemination)? 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 achieve their objectives and deliver their expected results? (The scaling and replication aspects of these questions are addressed in Section III.C. Sustainability.) <ul style="list-style-type: none"> ○ To what extent did operations establish specific goals and measurable results? • 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 later stages)? 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?

Report section	Evaluation questions
Chapter IV. Knowledge Products	<ul style="list-style-type: none"> • What type(s) of knowledge does IDB Lab create, and what are the channels for its use and dissemination? • 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)?

Source: OVE.

C. Methodology

1.4 To evaluate IDB Lab projects and knowledge products, OVE employed a variety of methods (Box 1.1). For assessing IDB Lab projects, the evaluation first carried out a high-level portfolio review of the universe of IDB Lab projects approved between mid-2016 and the end of 2020 (320 projects). For a more in-depth assessment of project alignment, efficiency, effectiveness, and sustainability, the evaluation then drew a stratified random sample of 139 projects³ that together are representative of the evaluation portfolio across all of its characteristics, with a degree of purpose sampling to ensure inclusion of all closed and highly advanced projects (see Annex I for details about the sampling approach). To collect evidence, the evaluation employed document desk reviews, data analysis, interviews with team leaders, surveys with team leaders and executing agencies (EAs), and interviews with selected EAs. The COVID-19 pandemic, combined with the time frame of the evaluation, made it impossible to identify and contact a sufficiently large and unbiased sample of final project beneficiaries. For evaluating knowledge products, events, and platforms, OVE conducted a review of relevant documents and websites, as well as interviews with responsible IDB Lab Management and staff.

Box 1.1. Data collection methods for phase two of the evaluation of IDB Lab

Projects

- Desk review and analysis of relevant databases and documents, including IDB Group and IDB Lab databases, IDB Lab strategy documents, project approval documents (Donors Memos), Project Supervision Reports, Project Status Updates, and other project documents as relevant and available
- Survey of IDB Lab project team leaders: sent to team leaders of 134 sample projects, response rate 86%

³ Initially, the sample was composed of 134 projects, but it was later augmented to 139 projects to improve its representativeness across all characteristics. The team leader survey was carried out at an earlier stage, when the sample had 134 projects. The document desk review and executing agency survey covered all 139 sample projects.

- Survey of EAs: sent to all EAs of uncanceled and committed evaluation portfolio projects for which contact details could be identified (251 projects), response rate 59%. The response rate within sample projects (with available EA contacts) was 51%.
- 29 semi-structured interviews with team leaders of the 58 closed and most advanced sample projects; 11 semi-structured interviews with the EAs of 10 projects selected by drawing a stratified random subsample, with subsequent adjustments to optimize the distribution across strata of type and size of operation, thematic cluster, focus area, and financing instrument(s)

Knowledge products and events

- Desk review and analysis of the relevant IDB Group and IDB Lab databases and documents, including the old MIF intranet, the IDB publication portal, Donors Memos, Development Effectiveness Reports, and Work Plans, as well as other documents and one-off files provided by IDB Lab.
- Knowledge-related results from the project-related surveys.
- Surveys of IDB, IDB Invest, and IDB Lab employees conducted during the first evaluation phase.
- Two semi-structured interviews and follow-ups with IDB Lab team members and Knowledge, Innovation and Communications Sector counterparts in knowledge management roles.

Platforms:

- Desk review of relevant project documents (e.g., as available, approval and supervision documents, and selected outputs), websites, and additional information provided by staff.
- 7 interviews of nine staff responsible for the seven identified platforms.

Source: OVE.

Note: For more detail, see Annexes I and III.

1.5 The evaluation approach addresses some of the evaluation's challenges. An important limitation of this evaluation is the young nature of the portfolio (see Chapter II), which restricts OVE's ability to offer definitive conclusions on effectiveness and sustainability for considerable parts of the portfolio. To mitigate this issue, OVE oversampled closed and advanced projects,⁴ and reviewed all available evidence on whether ongoing projects were on track. The significant gaps in information availability and quality encountered when reviewing the available evidence (see also Chapter III), as well as the inability to carry out field missions, presented another challenge, which prompted the evaluation team to draw on multiple information sources to complement and triangulate data.

⁴ This sampling approach also implies that the share of recently approved projects in the sample is somewhat lower than in the overall portfolio.



02

Projects: Portfolio
description,
alignment, and
adicionality

2.1 This chapter describes OVE’s findings concerning which projects IDB Lab finances, and the extent to which these show additionality and are aligned with IDB Lab’s mandates. To gain an understanding of the projects IDB Lab has financed during the evaluation period, the chapter first outlines some main characteristics of the portfolio, before then examining the extent to which the projects are relevant and show additionality. Presenting findings on additionality alongside those on relevance is important because, for IDB Group activities with the private sector, it is not sufficient to address development needs and align with given mandates, but it is necessary also to ensure complementarity with, rather than substitution for, purely commercial private sector financing sources (i.e., to have additionality), so as not to distort markets.

A. Portfolio description

2.2 The evaluation portfolio consists of IDB Lab projects⁵ supported during the MIF III period. As described in this evaluation’s Approach Paper and first-phase report, OVE considered mid-2016 to be the beginning of the strategic direction adopted in the context of the MIF III replenishment because IDB Lab’s 2016–2018 Business Plan (document [MIF/GN-208-1](#)), which outlined the new strategic focus later reflected in the MIF III documents, was approved in June 2016. The evaluation therefore considered IDB Lab projects approved between July 1st, 2016 and the end of 2020, and included supervision information received for these projects during the first half of 2021.

2.3 IDB Lab approved 320 projects partially or fully funded by MIF capital between mid-2016 and the end of 2020.⁶ These project approvals amounted to US\$381.6 million in MIF capital, as well as US\$72.1 million in core mobilization—that is, co-financing from IDB-managed trust fund resources. In addition, IDB Group databases record an expected US\$1.6 billion in co-financing from other third parties that was to be mobilized for these

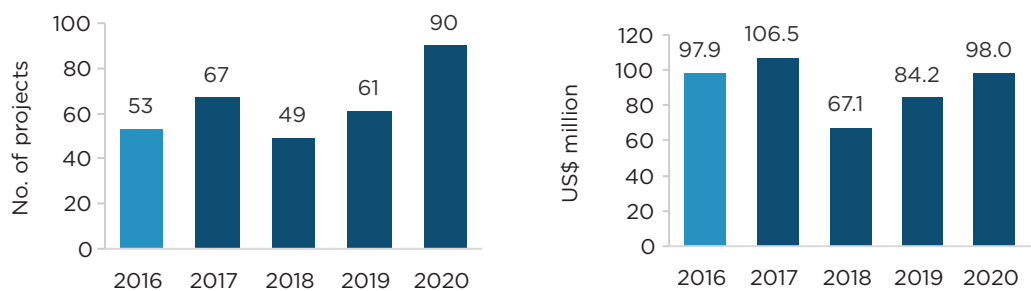
5 “Projects” in this context excludes publications and events (which were evaluated separately), consultants, and other MIF resource uses that may have a project number in IDB Group systems but do not correspond to the funding of development projects. Due to IDB Group system specifics, one project can, moreover, include several project and/or operation numbers; in this case, OVE grouped such numbers under a single project whenever they clearly belonged to the same project, which is typically signaled by all operations having the same name and being described in one single Donors Memo. Projects entirely financed with third-party resources, such as those of the Social Entrepreneurship Program or other IDB-managed trust funds, were excluded, as their need to align with MIF III mandates is not evident. The number and amounts of projects in this section therefore differ from those presented in the first evaluation phase, since the more detailed portfolio cleaning and classification was performed as part of the second phase.

6 Since each IDB Lab project can consist of several operations, the 320 projects evaluated correspond to 409 operations.

projects.⁷ Since their approval, 23 (or 7.2%) of these projects (amounting to US\$37.5 million, or 8.3% of the original approved portfolio) have been canceled in their entirety, whereas another 6 projects (or 1.9%) have seen partial cancellations amounting to US\$33.1 million (or 7.3% of the original approved portfolio). All but 2 of the latter projects were canceled before contract signing. Almost half of the evaluation portfolio projects (47% in terms of number, 40% in terms of amount) were approved in 2019 and 2020 (Figure 2.1), illustrating the young nature of the portfolio.

Figure 2.1
Evaluation portfolio projects by approval year

Source: OVE, based on IDB Group databases.



Note: Includes only projects fully or partially financed by MIF capital. Approvals in 2016 are from July onward only. In all of 2016, 74 projects, amounting to US\$108.27 million, were approved.

2.4 Whereas the share of reimbursable financing remained roughly constant during the MIF III period, IDB Lab has diversified its mix of reimbursable instruments (Figure 2.2). The financial products IDB Lab can deploy with its capital include nonreimbursable technical cooperation (TC) and investment grants; reimbursable products in the form of equity, senior loans, and hybrid reimbursable instruments (e.g., revenue-based loans, subordinated debt, impact discount loans, and convertible notes); and hybrid operations for which reimbursement is contingent (contingent recovery grants, simple agreements for future equity). Because one project can include more than one financing operation,⁸ each of which uses a distinct instrument, projects sometimes employ a mix of reimbursable, nonreimbursable, and/or hybrid products. While approved pure equity⁹ financing has decreased (from 35%

7 IDB Lab databases do not track the extent to which the expected co-financing amounts (other than core mobilization) in fact materialize. See Section II.C on additionality for more detail.

8 Of the 66 portfolio projects (21% of the portfolio) with more than one operation, 42 use more than one type of financing instrument. The most common combination (26 projects) is that of reimbursable (loan or equity) and nonreimbursable (TC or investment grant) financing, followed by combinations of hybrid and nonreimbursable instruments (14 projects).

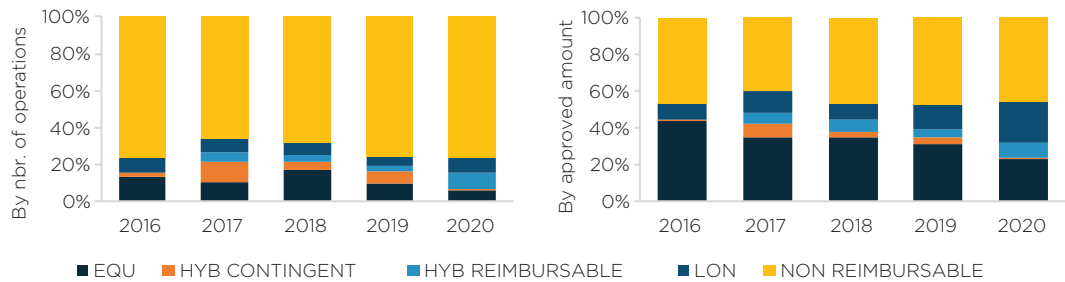
9 Certain hybrid instruments also have potential equity components, such as standard agreements for future equity (SAFE), contingent recovery grants, and convertible notes. These specific instruments account for about 6% of IDB Lab's total approved amounts during the evaluation period, with no clear trends in their use.

of the total approved amount in 2017 to 23.5% in 2020), the use of hybrid reimbursable instruments (6% in 2017, 8.4% in 2020) and loans (12.2% in 2017, 22% in 2020) has increased.

Figure 2.2

Instruments used to finance evaluated operations, by approval year

Source: OVE, based on IDB Group databases.



Note: EQU = equity; HYB CONTINGENT = contingent reimbursement instruments; HYB REIMBURSABLE = reimbursable hybrids; LON = senior loans; NONREIMBURSABLE = TC and investment grants. Based on operations that are part of projects at least partly financed by MIF capital. Approvals for 2016 are from July onward only.

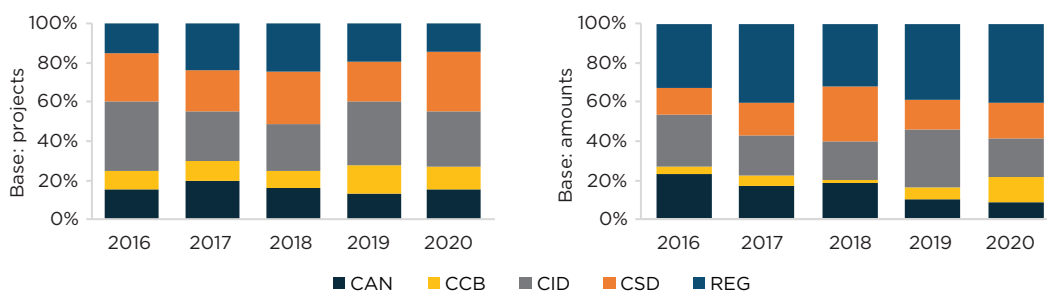
2.5 Whereas the largest share of IDB Lab projects has benefited the Central American region, projects with a regional focus have seen the highest approved amounts.¹⁰ Most country-specific projects have benefited Central American region countries (29% of all evaluated projects, 24% of amount invested), followed by Southern Cone countries (25% of projects, 18% of amount). Regional projects have consistently received the largest IDB Lab funding shares (Figure 2.3), reflecting the fact that many of IDB Lab's largest projects are venture capital funds with a regional reach. Excluding regional projects, the three countries with the highest numbers of and amounts in projects are Colombia (7% of projects and amount), Mexico (6% of projects, 7% of amount), and Brazil (6% of projects and amount). In recent years, the implementation of IDB Lab's Action Plan for Group C and D and Small and Island Countries (document MIF/GN-236-1) may have contributed to the observed increase in projects approved in the Caribbean region. Most nonregional projects have benefited group D countries (28% of all evaluated projects, 20% of amount), followed by group A countries (18% of projects and amount).¹¹

¹⁰ IDB Lab's regional member countries are grouped into four geographic regions: Central America (internally designated as CID), consisting of Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama; the Caribbean (CCB), consisting of the Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago; the Southern Cone (CSC), consisting of Argentina, Brazil, Chile, Paraguay, and Uruguay; and the Andean region (CAN), consisting of Bolivia, Colombia, Ecuador, Peru, and Venezuela.

¹¹ These groupings are (roughly) based on country and/or economy size. Group A consists of Argentina, Brazil, Mexico, and Venezuela; group B of Chile, Colombia, and Peru; group C of the Bahamas, Barbados, Costa Rica, Jamaica, Panama, Suriname, Trinidad and Tobago, and Uruguay; and group D of Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, and Paraguay.

Figure 2.3

Evaluated IDB Lab projects by geographic country group and approval year. Based on number of projects (left graph) and original approved amount (right graph)



Source: OVE, based on IDB Group databases.

Note: CAN = Andean region; CCB = Caribbean; CID = Central America; CSC = Southern Cone; REG = region. Approvals in 2016 are from July onward only. In all of 2016, 74 projects, for US\$108.27 million, were approved.

2.6 IDB Lab projects support a wide range of activities, and projects often involve more than one activity. Given the limited usefulness of IDB Lab databases for understanding the types of activities IDB Lab supports, OVE performed a manual classification of project activity types based on a review of the Donors Memos of all 320 evaluated projects. Based on analyzing the information contained therein, OVE defined 10 main groups of activities (Table 2.1).¹² The largest number of IDB Lab projects support the adoption or development of technology-based solutions, whereas the highest share of financing aims to provide access to financing to small and medium enterprises (SMEs) or start-ups. This is because the latter category contains the large venture capital-funded projects financed by IDB Lab. Funding for projects supporting the adoption or development of technology-based solutions has grown (from 44.6% of the total approved amount in 2017 to 56.2% 2020), whereas that for developing sustainable productive practices has fallen (from 57.7% in 2017 to 23.1% in 2020).¹³ In addition, 86% of projects involve more than one activity, with the most common combinations being both the adoption or development of technology and either (i) access to financing for SMEs and start-ups (29.7% of projects), (ii) upskilling or training (19.4%), and/or (iii) the development of sustainable/productive practices (16.6%).

¹² For a more detailed definition of each activity, see Table II.2 in Annex II.

¹³ For more detail, see Figure II.7 in Annex II.

Table 2.1. IDB Lab projects approved between mid-2016 and the end of 2020, by activity

Type of activity	% of projects	% of amount
Adoption or development of technology-based solutions	58.4	53.4
Upskilling or training	45.0	38.4
Access to financing and credit to SMEs and start-ups	44.1	60.7
Development of sustainable / productive practices	32.8	39.5
Improvement of public services (or access to them)	21.9	16.9
Improved access to credit for individuals	16.6	21.8
Support for or development of innovation hubs	11.9	11.3
Environmental regeneration or remediation	10.0	11.4
Improvement of policy (including regulations)	10.3	8.6
Development or improvement of physical infrastructure	7.5	7.3

Source: OVE, based on IDB Lab Donors Memos.

Note: Percentages sum to more than 100% because each project can support more than one activity.

B. Alignment

2.7 This section describes OVE’s findings on the extent to which IDB Lab supports operations that are aligned with its mandates. The MIF III Agreement (document [AB-3132-1](#)) laid out the purpose of IDB Lab 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 [...]”¹⁴ To evaluate alignment, OVE therefore assessed the extent to which IDB Lab activities (i) promote sustainable development, (ii) support private sector innovation, and (iii) create opportunities for poor and vulnerable populations. Alignment concerns the way IDB Lab projects are designed to address each of these goals and is therefore measured based on the intentions set forward in the design of the projects, and not on the actual results achieved by the projects. It is important to highlight that neither the MIF III documents nor Management clearly define key terms

14 The same document furthermore specified 10 functions for IDB Lab, which mostly concern its efficient use of resources when going about fulfilling its purpose: (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 (Inter-American Investment Corporation, now IDB Invest) 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.

used—such as *sustainable development, poor and vulnerable populations, opportunities, or innovation*—allowing for many different interpretations of these concepts. IDB Lab’s numerous and diverse mandates, as assessed in the first evaluation phase, also open the door for IDB Lab to pursue many different avenues and business models when trying to fulfill them, and IDB Lab itself has not articulated a clear and coherent theory of change for the channels through which its operations are to produce development results.

1. Promotion of sustainable development

2.8 Virtually all IDB Lab sample projects align to at least one of the Sustainable Development Goals (SDGs) as defined by the United Nations,¹⁵ which is unsurprising given the large number of SDGs and their breadth. In light of the lack of definitions for sustainable development and development challenges in the MIF III Agreement, IDB Lab’s 2019–2021 Business Plan (document [MIF/GN-235-3](#)) states that its operations will focus on several priority SDGs.¹⁶ The evaluation therefore reviewed the extent to which IDB Lab operations aim and are suitable to contribute to the SDGs, in particular those mentioned in the IDB Lab business plan. The evaluation’s review¹⁷ of the 139 sample projects found that the great majority (99%) can be considered to contribute directly or indirectly to one or several SDGs, with a wide range of SDGs being covered. The SDG most sample projects (52%) aimed to contribute toward was SDG 8 (Decent Work and Economic Growth), in line with its being a priority SDG cited by IDB Lab, followed by SDGs 9 (Industry, Innovation, and Infrastructure), 10 (Reduced Inequalities), 1 (No Poverty), and 13 (Climate Action). Despite being identified as priorities by IDB Lab, SDGs 14 (Life Below Water, 4%) and 15 (Life on Land, 9%) were the focus of relatively few IDB Lab projects (see Annex II, Figure II.3, for more detail).

2.9 IDB Lab’s evaluation portfolio is highly concentrated when grouped by so-called verticals but is nonetheless very dispersed, highlighting the breadth of its vertical categories. During the MIF III period,¹⁸ IDB Lab has narrowed down the development needs it seeks to address by centering its strategy around three thematic focus areas—inclusive cities (designated as ICI in IDB Lab

15 For a full list of the 17 SDGs, see <https://sdgs.un.org/goals>.

16 In particular, SDGs 1, 3, 4, 8, 14, and 15, with SDG 5 as a cross-cutting goal.

17 The evaluation considered the main SDGs each project aligns with (up to 3). Within the iDELTA (Innovation Development Effectiveness Learning, Tracking, and Assessment Tool), IDB Lab also checks project alignment with SDGs. OVE did not use these data because they are not independently verified and not available for all projects.

18 The thematic areas were established in the 2016–2018 Business Plan (document [MIF/GN-208-1](#)) and later incorporated into the Report on the Future and Financing of the MIF (document [CA-581](#)), which formed the basis for the MIF III replenishment.

documents), climate-smart agriculture (CSA), and the knowledge economy (KEC)—which are further subdivided into nine sub-areas, or “verticals.”¹⁹ The evaluation’s first phase found that this thematic focus, while aligned with both IDB Lab’s mandates and IDB Group priorities,²⁰ is very broad and may result in a dispersed portfolio of little impact in any one area. The evaluation’s second phase therefore assessed the distribution of IDB Lab’s portfolio among the thematic areas and verticals. A manual review of Donors Memos of the entire evaluation portfolio²¹ revealed a high degree of concentration when classified by vertical, in that 84% of IDB Lab financing and 71% of projects approved since mid-2016 fell under three verticals: financing knowledge economy start-ups (KEC; 37% of financing, 25% of projects), transformation of urban services (ICI; 24% of financing, 25% of projects), and farm-level solutions (CSA; 23% of financing, 21% of projects). All other verticals concentrated only about 1%–5% of IDB Lab financing each.²² This suggests that IDB Lab’s portfolio is more focused than its strategy seems to imply. A closer look at the projects within the three dominant verticals (see Table 2.2 for examples) reveals, however, that they cover a very wide range of project types and activities,²³ limiting the usefulness of the verticals for understanding IDB Lab’s portfolio and its degree of focus. Despite this seeming concentration, IDB Lab’s portfolio therefore exhibits a considerable degree of dispersion, with no clear picture emerging of main lines of activity with critical mass. This is significant as portfolio dispersion can prevent the iterative learning essential for a lab, as well as more meaningful impact, in any specific area.²⁴

19 CSA consists of the verticals of (i) transformation of value chains, (ii) farm-level solutions to support livelihoods, and (iii) natural capital to support regeneration and sustainability; ICI consists of (i) transformation of urban services, (ii) the circular economy, and (iii) the orange economy; and KEC consists of (i) preparing for the future of work, (ii) financing knowledge economy start-ups, and (iii) building innovation ecosystems.

20 In supporting innovation in general, IDB Lab’s activities are aligned with the IDB Group’s 2015 Update to the Institutional Strategy (UIS, document [AB-3008](#)) and its 2018 successor document ([GN-2933-1](#)), which established a focus on innovation as a central part of the IDB Group’s mission. In addition to this general alignment with IDB Group priorities, Donors Memos of 60% of IDB Lab projects with a national focus explicitly mention alignment with the relevant IDB Group Country Strategy, pointing out the extent to which the project aligns with a priority area identified in those documents.

21 Despite their forming a central part of its strategic focus, IDB Lab does not track which projects are approved under each vertical.

22 For more detail, see Table II.13 in Annex II.

23 Each of the dominant verticals contains projects of all different activities as described in paragraph 2.6.

24 OVE’s 2013 evaluation of the MIF (document [MIF/RE-2-4](#)) had also found a high degree of portfolio dispersion, noting that that the results of MIF operations had been “better when a critical mass of interventions was consolidated and maintained over a considerable period of time.”

Table 2.2. Example projects in the dominant verticals

Financing knowledge economy start-ups (KEC)	Transformation of urban services (ICI)	Farm-level solutions (CSA)
<p>Equity Investment in Redpoint eVentures Fund II: Technology as an Enabler to Achieve High Impact and Scalable Results (BR-Q0023): The project invests in a venture capital fund to fund 35 best-in-class start-ups in Brazil and LAC, including socially impactful ventures.</p>	<p>Disruptive Innovation: Sustainable Mobility in Mexico City (ME-T1322): This project seeks to convene numerous stakeholders involved in transportation options in Mexico City with the goal of reducing congestion and improving the quality and reliability of transport options, through means including the development of innovative solutions.</p>	<p>Financing for the Sustainable Production of Alpaca Fiber in Peru (PE-T1422, PE-L1249): The objective of this project is to provide financing to alpaca farming cooperatives so that they may implement climate-smart practices in their farms, as well as to implement a digital platform to trace the alpaca fiber using blockchain.</p>
<p>Wayni Móvil: Digital Banking for the Underbanked (AR-L1305, AR-Q0018): The project aims to expand the reach of financial products, including microloans, offered through a digital mobile app for unbanked and underbanked populations in Argentina.</p>	<p>Sustainable and Ecological Sanitation Services for Impoverished Urban Populations in Haiti (HA-M1058): The project seeks to pilot a model of ecological portable toilets that simultaneously produces and sells compost for agriculture in Haiti.</p>	<p>Obtaining Social and Environmental Gains through Satellite Imagery and Solutions (RG-L1139): The project supports an Argentine start-up to develop and deploy 18 satellites for satellite imagery to be used in agriculture, forestry, response to natural disasters, and energy/infrastructure.</p>
<p>Botanical Solutions: Promoting Biotech Platform for Sustainable and Improved Production of Advanced Botanical Materials (CH-L1156): The objective of this project is to support a Chilean private company in its efforts to expand manufacturing and sales of botanical vaccine components and pesticides.</p>	<p>Mitigation of Urban Health Inequities through PPP Solutions (RG-T2850): The aim of the project is to provide technical assistance to several governments for the preparation of master plans for investment, business plans, and pre-feasibility studies for structuring innovative health sector PPP solutions.</p>	<p>Financing Agrobusiness and Cooperatives' Response to COVID-19 in Central America, Colombia, Mexico, and Peru (RG-G1035, RG-T3772): The aim of the project is to increase access to finance by small farmer cooperatives by using an impact- and additionality-based grant and lending scheme.</p>

Source: OVE, based on IDB Lab Donors Memos.

Note: LAC = Latin America and the Caribbean; PPP = public-private partnership.

2.10 IDB Lab’s main direct beneficiaries are start-ups or other SMEs, albeit often combined with other beneficiaries aligned with IDB Lab’s mandates and cross-cutting issues. To understand additional aspects of development challenges addressed by IDB Lab’s portfolio, the evaluation team also assessed what types of beneficiaries IDB Lab projects aim to benefit. A review of the Donors Memos of all portfolio projects reveals that the direct²⁵ beneficiaries of IDB Lab projects can be classified into seven main groups: (i) start-ups and SMEs, (ii) youth, (iii) women, (iv) small and medium-size farmers and fishers, (v) citizens at large, (vi) poor and vulnerable populations, and (vii) the environment (through forest conservation, improvement of ecosystem services, etc.). IDB Lab projects often benefit more than one beneficiary group and are most commonly designed to benefit start-ups or SMEs (74% of all portfolio projects), followed

²⁵ Direct beneficiaries are typically those who—other than the executing agency itself—benefit directly from the project. In most cases, those would be the individuals or entities who will receive the goods or services for the activities performed or products delivered by the project’s executing agencies.

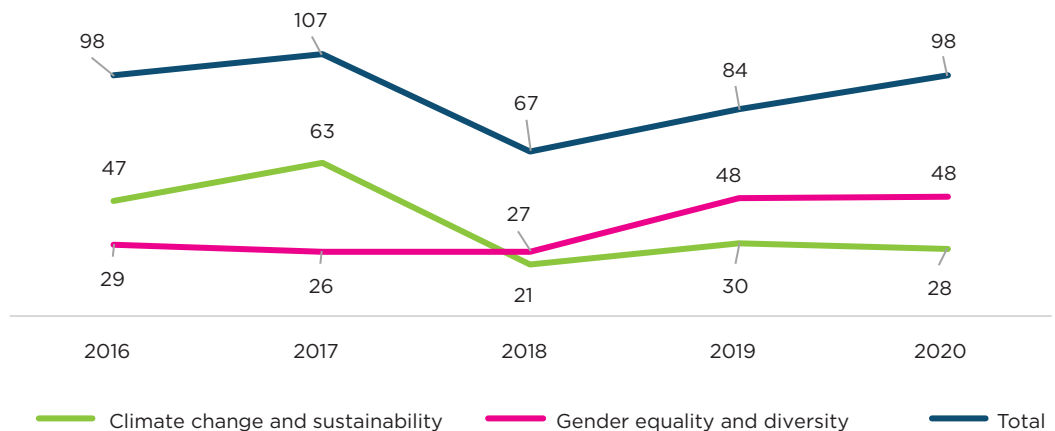
by poor and vulnerable populations (34%), the environment (31%), and women (29%).²⁶ The most common beneficiary combinations are start-ups/SMEs and (i) poor and vulnerable populations (25%), (ii) women (22%), and (iii) the environment (19%).

2.11 About two-thirds of projects approved during the MIF III period address at least one cross-cutting issue, with gender and diversity aspects gaining importance in recent years. IDB Lab has incorporated the mandated MIF III function to promote environmentally sound and sustainable development, as well as gender and diversity, in its strategic focus in the form of two cross-cutting issues, (i) climate change and environmental sustainability, and (ii) gender equality and diversity. A review of Donors Memos for all evaluation portfolio projects revealed that projects that seek to minimize the effects of climate change and promote environmental sustainability constitute 34% of projects (42% of financing), whereas projects intended to address the issue of gender equality and diversity represent 41% of projects (39% of financing).²⁷ Of all portfolio projects, 35% (30% of financing) do not address either of the cross-cutting issues. Since 2017, there has been a marked increase in IDB Lab financing for projects that intend to promote gender equality and diversity (from US\$26.4 million in 2017 to US\$48.4 million in 2020, Figure 2.4), while funding for activities related to climate change and environmental sustainability has fallen (from US\$62.7 million in 2017 to US\$27.6 million in 2020).

Figure 2.4

Trends in IDB Lab financing for cross-cutting issues (in US\$ million)

Source: OVE, based on IDB Lab Donors Memos.



Note: Each project can address more than one cross-cutting issue.

²⁶ When considering amounts, most financing is intended for start-ups/SMEs (78%), the environment (39%), women (31%), and the poor and vulnerable (28%).

²⁷ A more granular review of the sample projects revealed that more projects address gender than diversity issues: only 12% of the sample of projects had significant goals and activities that promote diversity, and 80% of projects had no explicit diversity objectives (the rest had minor goals). Of those sample projects with goals related to environmental sustainability or climate resilience, 18% focused primarily on adaptation-related goals, 30% focused on mitigation, and 30% focused on both adaptation and mitigation.

2. Support for private sector-driven innovation

2.12 IDB Lab's purpose is not simply to promote sustainable development but do so (i) through the private sector, and (ii) by supporting innovative solutions²⁸ or the innovation ecosystem. An integral part of analyzing IDB Lab's alignment with its mandates therefore consists of assessing the extent to which IDB Lab has directly or indirectly supported innovation, as well as worked through the private sector. As explored in the evaluation's first phase, IDB Lab's mandates and strategy are not clear regarding the particular types and stages of innovation IDB Lab should focus on, and why, except for an emphasis on disruptive²⁹ innovation recently stated by IDB Lab Management (IDB Lab's 2019–2021 Business Plan, document [MIF/GN-235-3](#)).

2.13 IDB Lab provides both direct and indirect support to innovation. An analysis of all project objectives of the evaluation portfolio reveals that IDB Lab projects can be grouped into two main types according to how they support innovation:

- (i) Direct support. This group of projects targets businesses, entrepreneurs, or public or not-for-profit organizations with the intention of directly supporting the development, deployment, adoption, or growth of new solutions.³⁰
- (ii) Indirect support. This second group of projects targets intermediary entities within innovation ecosystems, such as financial intermediaries or education providers, which are in turn responsible for providing direct or indirect support to entities that can potentially identify, test, pilot, or scale new solutions. Rather than supporting specific solutions, these projects seek to address the framework conditions for innovation to take place.

2.14 IDB Lab projects most commonly, and increasingly, offer direct support to product or service innovations. Of the 139 IDB Lab sample projects, 134 were deemed to support innovation, in that they aim to help either develop or deploy solutions that are new at least to the specific project context, or they intend to improve the functioning of innovation ecosystems. Of those, 26 (about 19%) offer indirect support to innovations (i.e., target

28 *Innovations (or innovative solutions)* are defined as new products, services, processes, business models, or organizational practices.

29 Incremental innovations are those that tackle improvements to existing products or processes. Disruptive innovations are those that lead to completely new products or markets.

30 To differentiate between the types of direct innovation support provided by IDB Lab, the evaluation used the innovation typology defined by the Oslo Manual (OECD and Eurostat 2018) for measuring innovation (using product, process, marketing, and organizational innovation) and, based on a review of IDB Lab's projects, added the category of business model innovation. For a definition of each innovation type, see Annex II, Table II.3.

the innovation ecosystem itself), whereas 107 (77%) offer more direct support. The main types of IDB Lab projects offering more direct support are those that lead to new products and services (58 projects), followed by those involving process innovations (35). Business model innovations (8 projects) and organizational or marketing innovations (6 projects) are less prevalent. Table 2.3 shows illustrative examples of IDB Lab sample projects for each of the categories.

Table 2.3. Innovation types: Project examples

Type		Example
Direct support	Product innovation	ECOSEA: Innovation in Aquaculture (CH-L1151): The aim of this project is to provide medium-term debt financing for a fish farming company to produce copper fishnets that are 100% recyclable and last 10 years, to replace nylon fishnets and curb plastics pollution. The nets also incorporate technologies to monitor the sea life (biomass data).
	Process innovation	Highly Diversified Agroforestry Model for Coffee in Nicaragua (NI-T1231, NI-L1142): The project supports diversifying the crops of 2,000 small and medium producers by adding timber trees to existing crop plantings (coffee, banana, other fruit). The project also aims to develop a climate monitoring and early warning system, in part to mitigate the risk of climate-related losses.
	Business model innovation	Hybrico: Hybrid Energy for Regional Connectivity (RG-L1122): The project seeks to provide hybrid energy under service contracts to telecom operators to reduce the operating costs of telecom towers and thereby improve mobile connectivity in three Central American countries. The electricity provider guarantees the availability of power and thus assumes all operating risks.
	Organizational/marketing innovation	Improving Marketing and Production of Artisanal Cocoa from Trinidad and Tobago (TT-M1031): The project focuses on improving prices and export opportunities for small-scale cocoa growers in Trinidad and Tobago by equipping growers with the skills and tools required for implementation of quality certification, chain of custody, and branding.
Indirect support	Innovation ecosystem support	Bridging the Gap to Commercial Application of Innovation (TT-T1073): The aim of this project is to increase the rate of innovation exhibited by firms in Trinidad and Tobago by creating an innovation advisory support program to train participants on various aspects of innovation along the innovation life cycle from inception to commercialization.

Source: OVE.

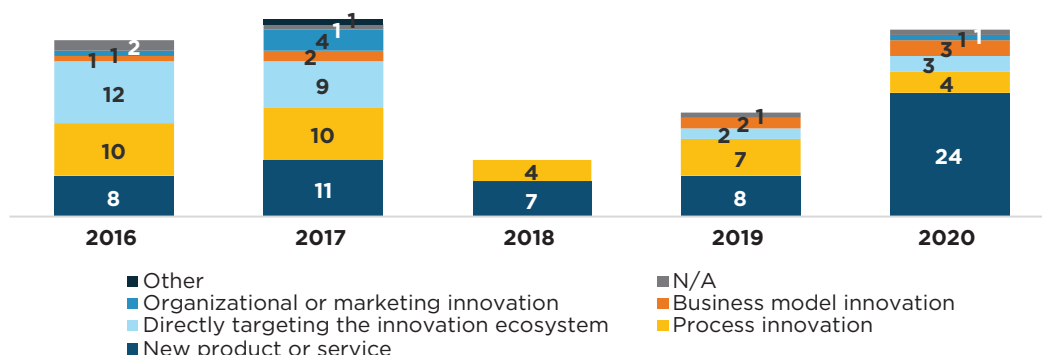
2.15 It is unclear to what extent the recent increase in product innovation projects marks a shift in strategy. The year 2020 was marked by a jump in the number of projects supporting new products and services (many of which were related to the support of product innovations addressing the COVID-19 pandemic), compared with previous years. It is unclear to what extent this change is due to exceptional pandemic-related circumstances or reflects a more permanent shift in IDB Lab

activity. More generally, there has been a decrease since 2017 in projects supporting process innovation and those targeting the innovation ecosystem (Figure 2.5).

Figure 2.5

Evolution of IDB Lab-approved projects (sample) by innovation type

Source: OVE, based on the document desk review of the sample.



Note: Numbers for 2016 are from the second half of the year only.

2.16 Most IDB Lab-supported innovations are moderately innovative, in that they introduce improvements to existing products or processes, and involve solutions already tested or deployed in other contexts or countries. Most innovations supported by IDB Lab are incremental rather than disruptive, and most are innovative at the national level (Table 2.4). Only nine sample projects involve solutions that are new globally. Despite IDB Lab’s recent focus on disruptive innovation (2019–2021 Business Plan, document [MIF/GN-235-3](#)), the share of projects supporting disruptive innovations (24% on average during the period) has not increased since 2016.

Table 2.4. Degree and intensity of IDB Lab-supported innovations (sample projects)

	Disruptive/transformational (completely new product and market)	Incremental (improvements to existing products or processes)
Innovative globally (no similar solution worldwide)	7 projects	2 projects
Innovative regionally (no similar solution in LAC)	13 projects	42 projects
Innovative nationally (no similar solution in country)	11 projects	19 projects
Innovative for the specific counterpart/context	2 projects	21 projects

Source: OVE.

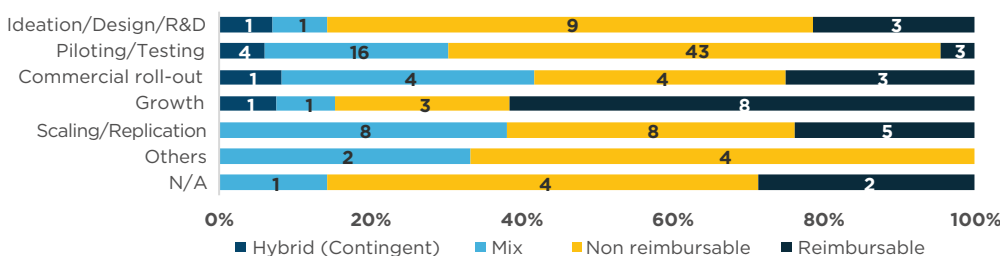
Note: LAC = Latin America and the Caribbean. The numbers add up to 117 projects. The remaining 22 include sample projects that are not innovative (5 projects) or for which there was insufficient information to determine the degree and/or intensity of innovation (17 projects).

2.17 Almost half (66, or 48%) of IDB Lab sample projects support solutions that are at the testing and piloting stage in their specific context.³¹ This is consistent with the opinion, expressed in interviews and surveys conducted during the first evaluation phase,³² that IDB Lab adds the most value at this stage. In addition, 21 sample projects (15%) are at the scaling-up or replication stage, and a further 12 (9%) are at the commercial roll-out stage. In line with IDB Lab’s creation of the prototype TC, which targets earlier innovation stages, IDB Lab support to the ideation phase has slightly increased (from an average of 11% of projects during 2016–2018 to 16% during 2019–2020). IDB Lab uses purely nonreimbursable instruments less frequently in more advanced innovation stages (Figure 2.6), although 8 sample projects (38%) in the most advanced scaling and replication stage are grant-based.

Figure 2.6

Financial instruments by innovation stage (sample)

Source: OVE, based on the sample analysis and IDB Group databases.



Note: “Other” includes projects that do not fit into predefined innovation stages; “N/A” denotes solutions not intended to be innovative; “Nonreimbursable” includes investment grants and TCs; “Reimbursable” includes equity, loans, and hybrid reimbursables; “Hybrid” includes only contingent instruments; “Mix” includes a combination of any of those three different types of instruments.

2.18 More than half (82, or 59%) of sample projects include technology-based solutions, and they tend to be product innovations with a broader reach and higher degree of disruption than other projects. IDB Lab projects involving technology³³ tend to be more focused on product or service innovations (52%, compared with 41% of the overall sample) and a bit less on process innovation (21%, compared with 25% of the overall sample) and on directly targeting the ecosystem (11% versus 19% of the overall sample). They also tend to have a higher degree and/or scope of innovation, with a larger proportion being innovative regionally or globally (39% versus 30% of the overall sample), and to be more disruptive than other solutions (30% versus 24% of the overall sample).

31 The stages of innovation considered include, in sequence, (i) ideation, (ii) piloting/testing, (iii) commercial roll-out, (iv) growth, and (v) scaling/replication. For a definition of each stage, see Annex II, Table II.1.

32 See paragraph 3.37 of document [MIF/RE-5-6](#).

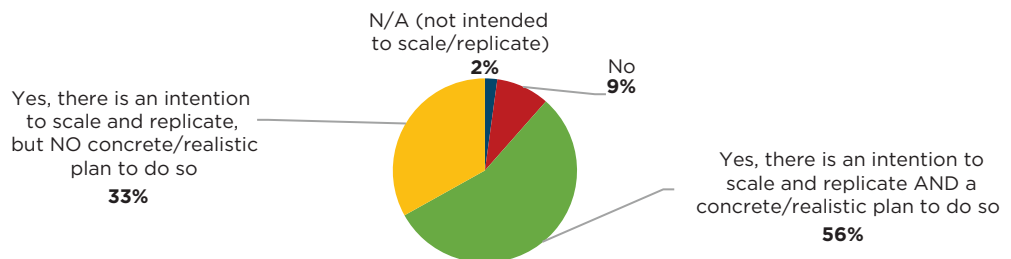
33 The technologies used in IDB Lab projects are mostly digital. All projects using technology are included even where technology is not the core aspect of the project.

2.19 Most IDB Lab-supported innovations are intended eventually to be scaled or replicated, although not all scaling/replication plans are equally concrete. The evaluation team considered the great majority of sample projects (130 of 139) to be suitable for potential scaling or replication (based on, for example, the credibility of the business model and the existence of the necessary demand in the country or elsewhere as identified in project documents). Most (123 of 139) sample projects explicitly articulated in their approval documents an intention to scale/replicate the supported solutions. However, the analysis shows that the level of detail and concreteness of the ambitions, when stated, as well as the explanation of the means through which this would or should take place, were limited in one-third (46) of sample projects (Figure 2.7). Of the 77 sample projects with concrete scaling/replication plans, 70 also identified a potential partner for scaling, most frequently a for-profit company (11 projects), IDB Invest (8), a nonprofit company (5), or a financial institution (5).³⁴ Only 21 sample projects directly supported the scaling or replication stage of the supported solution. For the rest, eventual scaling or replication—if intended—was typically expected to occur at some point after the end of IDB Lab’s support.

Figure 2.7

Did the project foresee actions for scaling and/or replication of the new solution?

Source: OVE, based on the sample projects.



2.20 A large majority of IDB Lab projects are executed through private sector entities. In line with IDB Lab’s mandate, 63 (45%) of IDB Lab-supported sample projects are led by private commercial entities, and another 51 (37%) are executed by private not-for-profit or other organizations (Table 2.5). Whereas the remaining 18% of IDB Lab projects are executed through academic, public sector, or other non-private entities, they typically still support development through the private sector, albeit more indirectly, by means such as creating public goods to spur private sector innovation, and are therefore aligned with IDB Lab’s mandate.

³⁴ The evaluation did not assess how realistic or likely participation of the suggested scaling partner was.

Table 2.5. IDB Lab projects (sample) by type of executing agency

Executing agency type	Type of entities	No. of projects	Original approved amount in US\$ million
Private for-profit	• National or international for-profit company.	63	144.9
Private not-for-profit	• National or international nonprofit company or nongovernmental organization. • Chamber of commerce. • Incubator.	51	68.3
Other	• Academic institution (public or private). • Other.	22	27.7
Public sector	• State-owned company. • Federal, state, or municipal government entity.	3	2
Total		139	242.9

Source: OVE, based on IDB Lab Donors Memos.

3. Creation of opportunities for poor and vulnerable populations

2.21 This section presents findings on the extent to which IDB Lab projects intend to benefit poor and vulnerable populations³⁵ directly or indirectly, and whether the risks to the materialization of these benefits are explicitly acknowledged and addressed. The first evaluation phase found that many areas of IDB Lab's strategy included a focus on poor and vulnerable populations, often through technological innovations. The strategic documents, however, did not make it explicit how IDB Lab projects were to be selected or designed to overcome the many obstacles the poor and vulnerable can face in accessing technology-based innovations, which have often been shown to exacerbate inequality because their benefits are reaped by the already better-off. IDB Lab projects are usually too small to meaningfully improve relevant access conditions (such as connectivity and literacy) for the poor and vulnerable. For decisionmakers such as the Donors Committee to make informed financing decisions, it is, however, important to acknowledge and, where possible, address any risks that can prevent benefits from materializing for the targeted populations. The evaluation's second phase therefore not only reviewed the extent to which IDB Lab projects indeed credibly aim to create benefits for poor and vulnerable populations, but also whether any risks to these benefits' materialization were made explicit in approval documents. An analysis of the extent to which IDB Lab projects were then also designed to be able to measure and track the benefits created for poor and vulnerable populations is included in Chapter III.

³⁵ This report considers that poor and vulnerable populations are low-income and other populations excluded from formal employment or access to a wide range of services including health care, education, and credit. The definition also includes pregnant women, people with mental health issues or particular diseases, displaced communities, and individuals who are particularly vulnerable to climate risks.

2.22 The detailed analysis of the evaluation sample shows that a large majority of IDB Lab projects explicitly target the poor and vulnerable as direct or indirect beneficiaries, or are otherwise likely to entail benefits to them. The analysis of the direct beneficiaries of IDB Lab projects (paragraph 2.10) already revealed that a bit more than one-third of evaluated IDB Lab projects in the overall portfolio explicitly aim to entail direct benefits for poor and vulnerable populations. A more detailed review of the sample shows that 42% of sample projects involve clear and directly stated ambitions to directly benefit the poor and vulnerable, whereas in another 22%, the intended benefits are made explicit but are mostly indirect.³⁶ For another 22% of projects, the evaluation team’s assessment concluded that, while not explicitly targeted, poor and vulnerable populations are likely to see some benefits from the IDB Lab-supported projects.³⁷ For the remaining 14% of cases, the poor and vulnerable were not among the targeted beneficiaries, or there was too little information to make a determination (Table 2.6).³⁸

Table 2.6. IDB Lab sample projects: Poor and vulnerable focus

Did/does the project target beneficiaries from the poor or vulnerable strata?	Projects	Original approved amount in US\$ million
Yes, as direct beneficiaries	59	100.5
Yes, as indirect beneficiaries	30	43.7
Not explicitly, but the project is likely to impact the poor and vulnerable	30	69.9
No, and it is unlikely that the project will impact the poor and vulnerable	16	27.4
No opinion possible due to insufficient information	4	1.4
Total	139	242,9

Source: OVE.

2.23 IDB Lab-supported projects explicitly intended to benefit the poor and vulnerable are innovative to about the same degree as other projects, but less likely to be executed by a profit-seeking entity and to be funded with reimbursable instruments. Based on the sample, the share of projects explicitly targeting the poor and vulnerable that also involve a type of innovation (97%) is about the same as that of projects not explicitly targeting them (96%), although projects targeting these population groups tend to be less likely to be disruptive in nature (21%, compared with 30%

³⁶ This includes, for example, investments in venture capital funds that aim to finance companies delivering social impact for poor and vulnerable populations.

³⁷ This includes, for example, projects supporting small farmers or rural infrastructure.

³⁸ The importance given to poor and vulnerable populations in terms of project ambitions has been stable over the course of the evaluation period. The exception is 2017, which recorded a higher share of projects with goals and targets not explicitly targeting the poor and the vulnerable.

of other projects) and to target the innovation ecosystem itself (16%, compared with 24% of other projects). Projects explicitly targeting the poor and vulnerable, either directly or indirectly, involve technology to about the same extent (60%) as other projects (58%), but—in line with the hypothesis that projects for the poor and vulnerable can face more difficulties in turning a profit—are significantly less likely to be executed by a for-profit company (37%) than are other projects (60%). Running counter to the assumption that projects targeting the poor and vulnerable would, for the same reason, also require more nonreimbursable resources, the share of these projects receiving IDB Lab TCs and investment grants (56%) is not much higher than that of other projects (50%). Many fewer of them (13%, compared with 24% of other projects) receive purely reimbursable resources, however.³⁹

2.24 IDB Lab project documents often fail to explicitly acknowledge the assumptions needed, and risks faced, for benefits to materialize for the poor and vulnerable. While many IDB Lab projects aim to create benefits for the poor and vulnerable, the materialization of development results for these populations faces significant risks if certain *ex ante* assumptions⁴⁰ about project circumstances are not matched by reality. As discussed in the evaluation's first phase, these risks are particularly pronounced in projects involving technology-based innovations, given the many barriers poor and vulnerable populations face in accessing and using technology. While it is often not possible to fully mitigate these risks within the scope of IDB Lab projects, it is nonetheless important to acknowledge them so that informed investment decisions can be made. A thorough review of the sample showed that the approval documents of only 30 (34%) of the 89 projects intended to benefit the poor and vulnerable explicitly and fully addressed the main risks and assumptions identified by the evaluation team related to the materialization of results for the poor and vulnerable. This percentage is higher for projects that aim to directly benefit the poor and vulnerable (41%), rather than indirectly (20%), despite the stronger assumptions usually needed for such results to materialize when the channel is indirect rather than direct.⁴¹ A full 36% of proposals for projects targeting the poor and vulnerable did not address the relevant risks and assumptions at all (32% of projects with a direct impact channel,

³⁹ The rest receive instruments that are hybrids between reimbursable and nonreimbursable resources, or are operations that combine reimbursable with nonreimbursable funds.

⁴⁰ These include target populations' being aware of the existence of the supported innovations, being convinced by their benefits, and having the access and means required to use them.

⁴¹ An additional 30% of projects targeting the poor and vulnerable identified the relevant risks and assumptions to some, but not the full, extent (27% of projects with a direct impact channel, 37% of those with an indirect impact channel).

43% of those with an indirect impact channel). See Table 2.7 for illustrative examples of projects addressing and not addressing the relevant risks.

Table 2.7. Addressing risks to benefits for poor and vulnerable populations: Examples

Example of project that addressed relevant risks	Example of project that did not address relevant risks
Project 1	Project 2
<p><u>Description:</u> The project supports an e-prescription platform which allows doctors to e-prescribe medications. Information is then delivered to patients or designated caregivers via text on their mobile phone, which allows the user to select their medication, as well as date and address for delivery. The platform allows for online payment and intends to provide easy-to-understand instructions on usage and side effects.</p> <p><u>Risk identified:</u> The Donors Memo acknowledges potential technology challenges experienced by users, as well as potential distrust or difficulty in accessing the system and support services.</p> <p><u>Mitigating factors and measures discussed:</u> As mitigation measures, the user interface is designed with simplicity of usage in mind, and phone support and customer service will be made available to encourage users and help resolve issues in a prompt manner. As mitigating factors, the Donors Memo cites the high level of local smartphone penetration and Wi-Fi access, and increased incentives to use digital platforms given COVID-19.</p>	<p><u>Description:</u> The project proposes to provide financing to an alpaca producer cooperative, in part so its 300 members can implement new alpaca farming techniques to improve yields. It has a TC component (to provide support for technology adoption and implementation of a digitized traceability system using blockchain) and a loan component (for providing financial resources to farmers to adopt the proposed innovations, and to finance upgrades to the cooperative's machinery).</p> <p><u>Risks (not identified):</u> The Donors Memos do not discuss any potential risk factors that could affect the uptake of the proposed techniques and investments among the targeted farmers, including their levels of literacy and any track record of having made changes to their farming techniques in the past.</p>

Source: OVE, based on IDB Lab Donors Memos.

2.25 The main takeaways regarding alignment based on the evidence outlined above are briefly summarized in Box 2.1.

Box 2.1. Main takeaways: Alignment

- **IDB Lab's projects are aligned with IDB Lab's mandates.** A large majority of IDB Lab projects align with SDGs and IDB Lab's thematic focus areas, support private sector innovation directly or indirectly, and intend to entail benefits for poor and vulnerable populations and/or cross-cutting issues. This high degree of alignment is, however, unsurprising given the mandates' breadth and lack of definition.
- **Most solutions supported by IDB Lab are moderately innovative.** Despite a recent strategic focus on disruptive innovations, most IDB Lab-supported solutions are incremental in nature. Most supported innovations are new only to the specific country or project context, with very few being new globally. This signals that IDB Lab focuses on relatively lower-risk projects in the innovation space.
- **IDB Lab's portfolio is more focused than its broad thematic focus would suggest, as it focuses on three of the nine verticals while nonetheless including a very diverse set of activities.** This could lead to misaligned expectations between IDB Lab Management and Donors in that, in practice, IDB Lab's portfolio covers just a part of its official strategic focus. Projects in the three dominant verticals encompass so many different types of activities that a clear picture of business lines, with critical masses of projects in each, does not emerge.

- **A majority of IDB Lab projects are intended to benefit poor and vulnerable populations, but often they do not spell out the risks to the materialization of the desired results.**

Projects explicitly or implicitly intended to directly or indirectly create benefits for poor and vulnerable populations constitute a majority and tend to be executed by not-for-profit entities and not to receive reimbursable funds. Donors Memos do not consistently make explicit the assumptions made and the risks that can prevent benefits for these target group from materializing. This can result in decisionmakers' having incomplete information when making investment decisions and overly optimistic expectations regarding the likelihood of development results for the target populations.

Source: OVE.

C. Additionality

- 2.26 When multilateral development banks work with the private sector, ensuring financial and/or nonfinancial additionality is important⁴² to avoid crowding out private sector funding. Financial additionality is defined as financing that involves amounts or terms not available from purely commercial private sector sources, and/or the mobilization of funding that would not otherwise have been provided. Nonfinancial additionality consists of additional services or advice not offered by the private sector, with the intention of improving development results. IDB Lab's functions under the MIF III of mobilizing resources and crowding in partners, and of complementing the work of others in the region, are aspects of additionality. To assess additionality, OVE evaluated the extent to which IDB Lab provided financing not available from commercial sources (complementing, rather than substituting for, private sector partners), crowded in additional funding, and/or provided nonfinancial additionality in forms such as technical support.
- 2.27 IDB Lab's focus on generally underserved market segments and its provision of instruments that are not available or scarce from commercial sources suggest that it is likely filling financial gaps. The evaluation's first phase (document MIF/RE-5-6) had already established the continued scarcity of funding for innovative ventures in Latin America and the Caribbean (LAC). The evaluation's second phase confirms that a large majority of IDB Lab projects are indeed innovative ventures (see Section II.B.2) in the piloting, testing, or later stages, for which the first evaluation phase had found the largest financing gaps. Moreover, IDB Lab offers financial instruments such as equity, hybrids, and grants that are only scarcely or not at all available from commercial sources.
- 2.28 IDB Lab projects have been co-financed by third parties, although data limitations prevent a determination of the exact amounts. IDB Lab's MIF III mandates include the mobilization

⁴² See, for example, OECD (2016).

of resources, which is another form of financial additionality, through the crowding in of other partners or funding sources. During the MIF III period, IDB Lab projects (excluding those canceled) have received US\$66.4 million from IDB-managed trust funds (called “core mobilization” by IDB Lab) and were projected to obtain a total of US\$2 billion in co-financing from other, third-party sources (called “catalytic mobilization” by IDB Lab⁴³). Projections of third-party co-financing amounts have grown over the period (from US\$439 million in 2017 to US\$457 million in 2020), but—as opposed to core mobilization amounts, the commitments and disbursements of which are tracked—neither IDB Group databases⁴⁴ nor supervision documents⁴⁵ systematically contain relevant data, and it is therefore not possible to determine to what extent these projections have materialized. As a result, it is not possible to ascertain to what extent projects have in fact reached the amounts IDB Lab reports as co-financing nor what role IDB Lab played in crowding in those sources.

2.29 The evaluation also found evidence of considerable nonfinancial additionality provided in the context of IDB Lab projects. The evaluation’s review of the sample found evidence—based on the document desk review, surveys, and interviews—of the provision of nonfinancial additionality in the form of expertise, knowledge, or other intangible contributions for 86% of projects. IDB Lab’s nonfinancial support was provided during project preparation as well as implementation. When asked about the types of nonfinancial support IDB Lab provides, executing agencies (EAs) most frequently pointed to technical advice in the project preparation phase (94% of EA survey respondents), followed by help in establishing contacts, connections, and networks during both the preparation (40%) and implementation (52%) phases. Less frequently indicated types of support were capacity building (28%), sourcing co-financiers for the project (24%), and support in the design and development of knowledge activities (24%). These results are consistent with EA survey responses about the value added by IDB Lab compared with other hypothetical financiers, in which 99% of responding EAs found that IDB Lab does offer added value (response rate 91%, corresponding to 65% of all EAs surveyed and 35% of all EAs of evaluated IDB Lab projects. As for type of value added, IDB

43 Unlike this evaluation, IDB Lab also includes counterpart financing amounts in what it considers catalytic mobilization.

44 Expected co-financing amounts are not updated after project approval. Moreover, data on projected amounts are not fully reliable: the evaluation found 17 cases for which databases show no expected co-financing despite substantial actual expected mobilization reflected in Donors Memos.

45 An exception is venture capital funds, most of whose Project Status Updates record actual fund capitalization levels.

Lab's provision of additional knowledge and the quality of that knowledge was (together with the funding volume) the most frequently selected answer. The conditions of the support came in third and the partnerships enabled by IDB Lab fourth. While these results suggest that EAs perceive IDB Lab as providing nonfinancial additionality, the fact that EAs self-selected into answering the survey can imply that the findings may be somewhat positively biased.

2.30 The main takeaways regarding additionality based on the evidence outlined above are briefly summarized in Box 2.2.

Box 2.2. Main takeaways: Additionality

- **There are indications that IDB Lab provides both financial and nonfinancial additionality through its projects.** IDB Lab continues to serve underserved market segments, and its nonfinancial additionality (knowledge, connections) is valued by its clients.
- **IDB Lab projects were co-financed by third parties, although it is not possible to determine by how much.** IDB Lab projects received grants from IDB-managed trust funds and were expected to be co-financed by other, third-party, resources. However, actual co-financing amounts or the role played by IDB Lab are not systematically tracked by IDB Lab in its systems, databases, or supervision documents.

Source: OVE.



03

Projects:
Efficiency,
effectiveness, and
sustainability

A. Efficiency

- 3.1 This section discusses the extent to which IDB Lab projects are implemented on time and on budget, and whether IDB Lab uses its resources efficiently by building on existing knowledge and partnering with others. Efficiency is measured by comparing the costs of achieving development results with their benefits. Whereas the cost is usually more easily measurable, individual project cost data of sufficiently reliable quality were not available for this evaluation given the limited cost accounting practices at IDB Lab.⁴⁶ Quantifying the benefits of IDB Lab projects is even more challenging because of IDB Lab's insufficient tracking of project results (see Section III.B.1) and the difficulties of measuring broader impacts. OVE therefore focused on assessing whether projects are implemented on time and on budget, and to what extent IDB Lab takes advantage of opportunities to operate efficiently by building on relevant knowledge and partnering with the rest of the IDB Group and others.
- 3.2 Only one-third of IDB Lab projects are implemented within their expected time frame, and there is little formal documentation of whether projects are implemented on budget. Of the 115 sample projects that are far enough advanced to assess implementation progress,⁴⁷ 38 (33%) have been implemented on time, 55 (48%) with limited delays, and 16 (14%) with substantial delays.⁴⁸ For the remainder (6 projects), there is not enough information to make an assessment. The drivers of delays are very diverse (Figure 3.1), with the recent COVID-19 pandemic dominating.⁴⁹ In terms of project-endogenous aspects, the performance of the executing agencies (EAs)—capacity, commitment, and strategy changes—is the most important driver of project delays (26 projects). For 9 delayed projects, there was not enough information to determine a cause. To assess whether projects have been implemented on budget, the evaluation team often had to rely on information provided by team leaders given that project supervision documents frequently do not contain project cost information. Of the 139 sample projects, 31 were either canceled or were too recent to study; for 19 projects,

46 These have only recently changed to use IDB systems to track the time assigned to individual projects or activities.

47 This excludes 17 projects which had been cancelled before or early into their implementation, as well as 7 projects for which it was too early to assess adherence to the implementation timeline.

48 Projects with limited delays are defined as those that achieve most project milestones and/or output indicators within the planned time frame. Projects with substantial delays are those in which most milestones and/or output indicators are not met within the planned time frame.

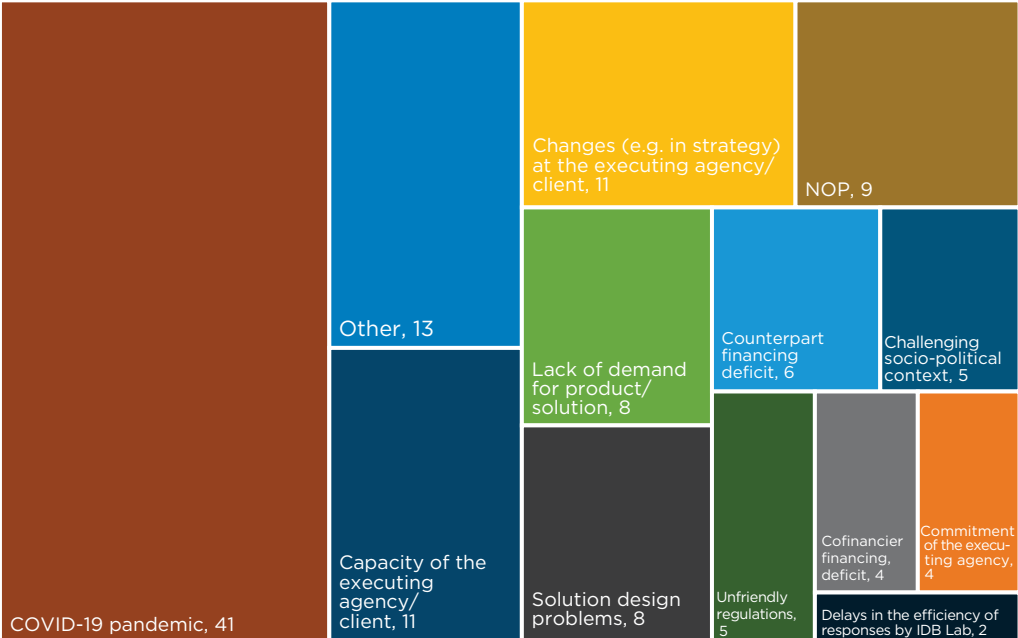
49 The evaluation did not assess to what extent projects for which the COVID pandemic is indicated as the main driver of delays had already experienced delays before the pandemic.

no data on the evolution of project costs were available from any source; and of the remaining 89, the available information pointed to cost overruns in only 3 cases. It is unclear, however, to what extent these numbers are reliable given the absence of systematic formal documentation.

Figure 3.1

Drivers of delays in project implementation

Source: OVE based on the review of the portfolio sample.



Note: The figure includes projects with slight or significant delays and presents the number of projects for which each delay driver was present. Each project can have several delay drivers. NOP = no opinion possible due to insufficient information to determine delay drivers. The "Other" category includes diverse reasons such as longer-than-expected negotiations with clients, natural disasters, and issues with suppliers.

- 3.3 Reasons for project cancellations are not always well documented. Of the 320 portfolio projects, 23 (7%) had been canceled in their entirety, whereas another 7 (2%) had seen partial cancellations. The most frequently cited reasons for project cancellations were changes to the project’s structure (16%), a shortfall in counterpart financing (16%), and poor performance by the EA (24%).⁵⁰ For 24% of partially or entirely canceled sample projects, the evaluation team could not identify the reasons for cancellation based on IDB Lab project documentation and had to rely on information provided by team leaders.
- 3.4 IDB Lab’s project monitoring practices show some important weaknesses. An important aspect in the efficient use of IDB Lab’s resources is the extent to which IDB Lab supervises projects in a way that allows it to intervene, if necessary, to make appropriate decisions regarding any pending disbursements, and to generate lessons learned. On the one hand, the results of the survey of EAs indicate that IDB Lab is seen as responsive and flexible during

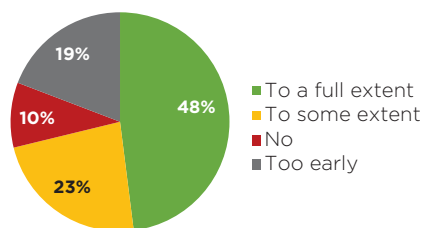
⁵⁰ Other reasons include external factors such as the COVID-19 pandemic, decisions by the respective government, or sociopolitical situations that hindered the implementation of the project.

implementation: 72% of survey respondents who answered a question on IDB Lab’s responsiveness rated it as excellent, and a slightly lower 65% rated IDB Lab’s flexibility the same way. On the other hand, the evaluation’s review of the sample found that—in addition to flaws in the way IDB Lab sets up project milestones and indicators (see paragraph 3.8)—for 33% of the sample, established indicators were monitored with regularity only to some extent or not at all (Figure 3.2, left side). Monitored milestones and indicators were, moreover, not always well suited to provide a complete picture of whether projects were indeed being implemented as expected. As illustrated in Figure 3.2 (right side), complete and up-to-date⁵¹ supervision information, allowing for an assessment of project implementation progress based on documentation alone, was available for only 38% of sample projects. The evaluation also found evidence that contradicted IDB Lab’s self-assessment of implementation status and likelihood of results achievement in several cases, including two in which delayed and likely unsuccessful projects were assigned a “green flag” status score, which is supposed to signal on-track execution, on their Project Supervision Reports.⁵²

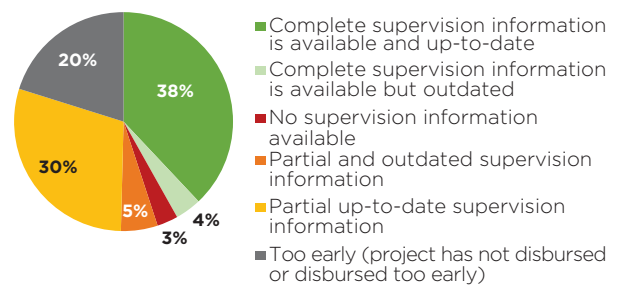
Figure 3.2
Project supervision
regularity and
information
adequacy (sample)

Source: OVE.

Did the project regularly monitor the established indicators?



Was there up-to-date information properly assess the project’s implementation?



3.5 It is unclear to what extent project-level learning is optimal. One way to efficiently use IDB Lab’s limited resources is to build on existing knowledge available at IDB Lab itself or from within the IDB Group. The evaluation’s first phase found that IDB Lab had included project team members from the rest of the IDB Group much more frequently during the MIF III period in an attempt to more systematically incorporate knowledge and expertise from the rest of the IDB Group, although this collaboration was sometimes

⁵¹ “Complete and up-to-date” refers to the extent to which supervision information on 2020 performance that should have been available by the time of the evaluation was in fact available.

⁵² Project Supervision Report scores are assigned during execution based on the timely achievement of outcomes, outputs, and milestones, as well as management of risks, and are represented as green, yellow, or red flag status, signaling whether projects are, respectively, on track, slightly off track, or significantly off track to reach their expected results.

seen as a formality.⁵³ In terms of building on existing knowledge from within IDB Lab itself, the second-phase review found explicit references to previous IDB Lab experiences in only about half of the sample projects. Interviews with team leaders suggest that capitalization on previous experiences is more frequent than these explicit references suggest, as knowledge transfer often takes place through more informal channels, such as interaction among team leaders involved in similar projects, or through the accumulated knowledge of experienced team leaders. This knowledge transfer practice can present limitations as to its consistency and efficiency, and a risk of knowledge loss in the case of staff turnover. The available evidence is insufficient to allow for an assessment of how consistently, effectively, and efficiently these informal channels function, and thus how well IDB Lab learns from past experiences.

- 3.6 The available evidence is insufficient to determine how efficiently and effectively IDB Lab builds on synergies with the rest of the IDB Group at the project level. Seeking synergies, where relevant, with the rest of the IDB Group is another way for IDB Lab to operate efficiently. The evaluation's first phase (document MIF/RE-5-6) found extensive collaboration between IDB Lab and the rest of the IDB Group at the corporate level in ways such as joint initiatives and calls for proposals, thematic coordination and information sharing, and strategy setting. At the same time, the report also noted that not all collaboration was perceived as equally efficient and effective, pointing to a need to better guide where to best direct such efforts by defining how IDB Lab is to complement the rest of the IDB Group. At the project level, a review of the sample projects found that about 58% of IDB Lab projects documented some sort of coordination and/or complementarity with activities of the rest of the IDB Group,⁵⁴ such as the IDB Lab project contributing to or accompanying an ongoing IDB project (19% of projects). There was insufficient evidence to assess the quality and effectiveness of these connections at the project level.
- 3.7 IDB Lab has increasingly used platforms as a vehicle to partner with others in working toward common objectives. Joining forces with others can be an efficient way for IDB Lab to make more significant contributions to development objectives than it could on its own. The evaluation's first phase found evidence of IDB Lab collaborating

53 An OVE analysis of IDB Lab approval documents showed that in 2014/15, 24% of approved projects had at least one project team member who was a sector specialist from IDB or IDB Invest. In 2019/20 this share had increased to 79%. The first-phase evaluation found, however, that the inclusion of IDB or IDB Invest specialists was sometimes seen as a formality, with collaboration more superficial than substantive (see also document [MIF/RE-5-6](#), paragraph 3.33).

54 See Annex II, Figure II.20, for more detail.

with external partners on individual projects⁵⁵ as well as around challenges and other initiatives.⁵⁶ The second evaluation phase paid particular attention to IDB Lab’s support of platforms, all of which connect multiple parties working toward common objectives, but otherwise differ in their nature and objectives (Table 3.1). Most platforms aim to generally improve the innovation ecosystem, while some focus specifically on additional IDB Lab core objectives such as poor and vulnerable populations (SAFE, Latitud R) and on cross-cutting issues such as climate change (SAFE, Latitud R) or gender equality (WeXchange). Some also provide public goods, such as relevant knowledge products (WeXchange, fAIR LAC, SAFE) and applications development infrastructure (LACChain). For several platforms (Kala, BID ao Cubo, WeXchange), IDB Lab itself is the executing entity. While this arrangement can foster greater learning by IDB Lab, the resource needs for such activities can be at odds with IDB Lab’s small size and have contributed to platform implementation delays (Kala). Since most platforms are in their early stages, it is not yet possible to assess to what extent the platforms model efficiently delivers on expectations for it, although especially LACChain stands out in terms its results reached so far. For more information, see Annex V.

Table 3.1. IDB Lab-supported platforms: Key facts

Name	LACChain	Kala	BID ao Cubo	WeXchange	Sustainable Agriculture, Food and Environment (SAFE)	Latitud R	fAIR LAC
Type	Digital innovation platform	Digital transaction platform	Interest group alliance platforms				
Description	Platform providing a common infrastructure to blockchain application developers	Platform to digitally connect different actors of innovation ecosystems	Connects an innovation hub in São Paulo with hubs and start-ups (i) in LAC and (ii) in less developed regions of Brazil	Connects women entrepreneurs in STEM with peers, mentors, and investors	Connects different parties within coffee and cocoa value chains, supports pilot projects and common monitoring and evaluation	Connects large companies and recyclers, including local waste picker associations	Regional alliance for ethical use of technology, particularly artificial intelligence (AI)
Main objective	Support the development of blockchain applications in LAC	Support start-up environment and opportunities for entrepreneurs	Support start-up environment and opportunities for entrepreneurs	Enhance opportunities for women entrepreneurs	Enhance sustainability and shared benefits in coffee and cocoa value chains	Increase recycling and improve the lives of waste pickers	Develop standards for the ethical use of AI

⁵⁵ Donors Memos mention external partners (other than EAs) in 20.8% of projects over the period 2016–2020, compared with 14.4% during 2012–2015. See also document [MIF/RE-5-6](#), paragraph 3.38.

⁵⁶ For another important way of partnering with others—resource mobilization—see Section II.C.

Name	LACChain	Kala	BID ao Cubo	WeXchange	Sustainable Agriculture, Food and Environment (SAFE)	Latitud R	fAIR LAC
Primary transactions	Through the platform—development infrastructure	Through the site	Outside the site	Outside the site (conferences, social media)	Outside the site	Outside the site	Outside the site
Status	Up and running	In development, delayed	Early stages, some delays	Yearly events since 2013	At the end of intended life	Initiating (building on earlier initiative)	Early stages, use cases delayed
Main results so far	Most results ahead of schedule (34 apps developed, hundreds more in pipeline; 15 countries deploying applications, 779 entities sensitized to blockchain, 6 country diagnostics)	Prototype website developed; considering next steps, weighing in-house versus external execution	Good progress with clients from northern and northeastern Brazil; delays in LAC due to COVID, but online fellowships may increase reach; difficulties using start-ups in public sector contracts	About 660 women entrepreneurs have participated since inception, 16–140 mentoring sessions/year with 100–160 participants; annual pitch competition, but evolution of winners not tracked; social media outreach	6 large, 8 small, and 8 learning projects implemented; US\$4.9 million in loans to smallholders, 425 demonstration farms established, 15,000 direct and 143,000 indirect beneficiaries; 71% of farms adopted climate change adaptations, 49% improved agricultural practices, 31% increased productivity	Too early for results. Report from previous initiative published under Latitud R	Application guide developed; use cases in development (delayed due to COVID and lack of counterpart funding)

Source: OVE. For more detail, see Annex V.

3.8 The main takeaways regarding efficiency based on the evidence outlined above are briefly summarized in Box 3.1.

Box 3.1. Main takeaways: Efficiency

- **Only about one-third of IDB Lab projects are implemented on time, and project costs are not always well documented.** Two-thirds of the sufficiently advanced IDB Lab projects in implementation have seen limited or significant delays. Most recently, the COVID-19 pandemic has had adverse effects on execution, whereas EA capacity and commitment issues are the most important project-endogenous delay drivers. Information from team leaders indicates that cost overruns are rare, but the reliability of this information is uncertain as supervision documents rarely formally track project costs.
- **IDB Lab’s project monitoring practices exhibit some important weaknesses.** Established indicators are not fully monitored for a considerable share of IDB Lab’s portfolio, project information is often outdated, and reasons for project delays and cancellations are not always documented.
- **It is unclear to what extent project-level learning is optimal.** IDB Lab more systematically includes IDB and IDB Invest specialists in project teams than in the past. Only about half of sampled projects explicitly refer to prior IDB Lab experiences, although interviews point to the prevalence of more informal learning channels. Based on the available evidence, it is not possible to ascertain whether IDB Lab learns effectively and efficiently at the project level.
- **IDB Lab partners extensively with external entities in ways that include support to platforms.** Joining forces with others can be an efficient way for IDB Lab to advance development objectives as it allows for the pooling of

resources and expertise. While all platforms supported by IDB Lab connect relevant parties, they differ substantially in nature. Most are in their early stages, preventing a full assessment of how efficiently the platforms model delivers on expected results.

Source: OVE.

B. Effectiveness

1. Evaluability

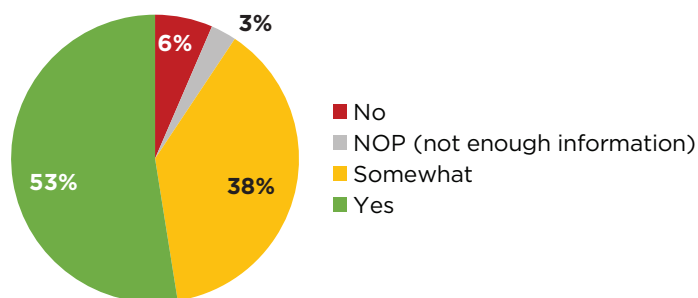
3.9 To evaluate the effectiveness of IDB Lab projects, the evaluation had to overcome weaknesses in IDB Lab's project results frameworks. IDB Lab projects were often not set up or monitored in a way conducive to clearly indicating whether they are headed for success or failure: Almost half (47%) of sampled projects had established results matrix indicators and milestones that were not or were only somewhat appropriate⁵⁷ for fully capturing whether or not the supported solution was going to successfully reach its objectives, or there was insufficient information to assess the indicators' appropriateness (Figure 3.3). More than one-third (39%) of the 89 projects considered to directly or indirectly benefit poor and vulnerable populations had not defined appropriate indicators and/or milestones to measure results related to these strata, or there was insufficient information to assess their appropriateness. In addition to not defining appropriate results measurement frameworks, established indicators were often inadequately monitored during implementation (see also paragraph 3.4). Similar weaknesses had already been identified in OVE's 2013 evaluation of the MIF (document MIF/RE-2-4). To assess effectiveness, the evaluation team therefore not only relied on the review of IDB Lab's results indicators and milestones, but also considered other information contained in project supervision and other relevant documents (such as narrative text), complemented by information obtained through surveys and interviews. Collecting evidence from sources external to IDB Lab or the project was not possible without field missions or extensive research. The young nature of the portfolio also meant that for a considerable share (23%) of the 122 sampled noncanceled projects, it was too early to determine whether they had reached or were on track to reach their expected results.

⁵⁷ Indicators were deemed "appropriate" if they provided a direct measure of the expected results and objectives, and "somewhat appropriate" if they provided an indirect measure of the expected results and objectives or a measure that did not fully capture the intended results.

Figure 3.3

Were the established indicators and/or milestones appropriate to measure those results that are key to understanding the success or failure of the supported solution?

Source: OVE, based on the portfolio sample.



Note: The “somewhat” criterion includes cases in which (i) at least some project indicators did not fully capture intended results and/or (ii) indicators were only indirect measures of expected results. NOP = no opinion possible.

3.10 Similarly, the results frameworks of some platforms supported by IDB Lab are not fully adequate to capture their main expected results. Some platform results indicators are not appropriate measures of their likely outcomes⁵⁸ and/or data on them are not collected consistently.⁵⁹ Newer projects approved by Donors (e.g., Latitud R) have better results frameworks than older platforms (e.g., WeXchange) or those subject only to Management approval (e.g., Kala).

3.11 These evaluability issues can pose obstacles to IDB Lab’s learning from its own experiences as well as demonstrating the results of its activities. One of the findings of the first phase was that IDB Lab systems and processes were inadequate for properly grouping and aggregating project-level results and knowledge, and that they therefore did not facilitate systematic learning. However, the evaluability and monitoring issues encountered at the project level during the second phase suggest that addressing the systems issues is not sufficient, as even the best systems can only aggregate and present what is available at the project level. Unless the quality of information available at the project level is also improved, IDB Lab will continue to be hampered in terms of the systematic creation of knowledge and learning. While this evaluation was in many cases able to make an assessment of results achievement despite these shortcomings, overcoming them required extensive additional data collection (through means such as interviews and surveys) and triangulation efforts, which are not efficient for IDB Lab to conduct in its normal course of business.

58 An example is the expected result of “improved incomes” for poor and vulnerable populations benefited by blockchain applications developed through LACChain: not only is it challenging to obtain before-and-after income data for beneficiaries, but any rise in income is also unlikely to be attributable to most blockchain applications more generally. Another example is WeXchange, for which no information is collected on key outcomes such as the extent to which projects that win the annual pitch competition are able to get off the ground and be successful.

59 For example, the project supervision reports for SAFE failed to capture many of the results indicators, and response rates for WeXchange were in some cases so low that results are not meaningful.

2. Results

3.12 Based on information provided by IDB Lab and EAs, a majority of those 94 IDB Lab sample projects for which an assessment is possible seem to fully or mostly achieve, or to be on track to achieve, their specific objectives and expected results (Figure 3.4). Of those 94 sample projects that were far enough advanced in their implementation for OVE to make an assessment,⁶⁰ 75 (80%) had at least somewhat (i) appropriate results frameworks and (ii) up-to-date results indicator data.⁶¹ Of these 75 projects, 78% appeared fully (28 projects) or mostly (31 projects) successful in either having reached, or being on track to reach, their stated objectives and results. Of the 75 projects, 19% had not (12 projects) or had only somewhat (2 projects) achieved the objectives and expected results as laid out in their approval documents, or appeared somewhat or fully off track to achieve them, and for two projects, there was too little information to make a determination.⁶² For the 19 projects for which either results frameworks were inadequate or indicators were not regularly monitored, the evaluation team drew from complementary sources (such as narrative in supervision or other documents, triangulated with survey and interview data) to assess effectiveness, although no determination was possible at all in 5 cases. Of the rest, 8 projects appeared to have fully (2 projects) or mostly (6 projects) achieved project objectives (or to be on track to doing so), whereas the other 6 were fully (5 projects) or mostly (1 project) off track. Considering all 94 projects that were far enough advanced to evaluate, and based on all available information, 71% were fully (30 projects) or mostly (37 projects) on track or had achieved their objectives, 21% were not (17 projects) or were only somewhat (3 projects) on track, and for the rest (7 projects), there was insufficient information to make any assessment. Given the evaluation team's inability to visit clients and projects in person and talk to beneficiaries, all data on project results achievement were collected from IDB Lab internal sources (documents, team leaders) or EAs and were therefore not independently verified.

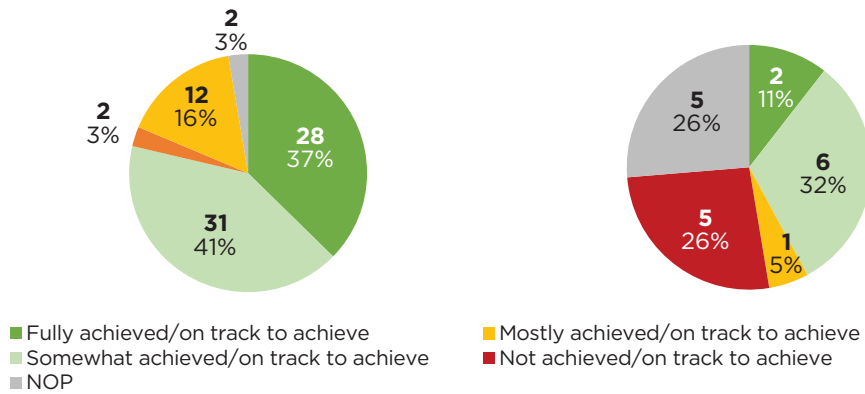
60 This excludes 45 sample projects that were either too young to be assessed (28) or had been canceled either before implementation or early into it (17).

61 These 75 projects include those sufficiently advanced projects with fully and somewhat appropriate results frameworks, and whose results indicators were monitored either to a full or to some extent.

62 Rates are similar when considering only the 22 completed projects among the 75: 77% had mostly or fully achieved their goals and expected results, whereas 18% had not (9%) or had only somewhat (9%) achieved their objectives. For 5%, there was insufficient information to make an assessment.

Figure 3.4
Achievement of project objectives and expected results (sample)

Source: OVE.



Note: Excludes canceled projects and projects that are not far enough advanced in their implementation to evaluate. NOP = no opinion possible due to insufficient information.

3.13 These success rates, while at first glance appearing high for innovative ventures, are in line with the finding that IDB Lab supports mostly moderately innovative, and therefore typically less risky, solutions. The seemingly high rate of IDB Lab projects that achieve their objectives (or are on track to do so) would appear at odds with studies citing very high failure rates (upward of 80%) among innovations, but it is more in line with other empirical evidence that puts observed failure rates at a much lower level (around 30%–40%).⁶³ However, comparisons with these benchmarks are not entirely straightforward because what is considered “success” (usually commercial success and survival) in the empirical evidence does not necessarily match the evaluation’s rates of achievement of specific project objectives (despite which the supported solutions can still fail to make a profit or subsequently survive). A 2013 evaluation of World Bank Group support of innovation and entrepreneurship (IEG et al., 2013) showed that 80% of completed World Bank projects with this focus had at least satisfactory project outcomes, and 56% of such completed projects supported by the International Finance Corporation (IFC) were rated as successful in achieving their targeted overall development outcome (69% were rated as having contributed to private sector development). While again not fully comparable (since the evaluation also includes non-innovative support to entrepreneurship, and IFC has a different focus than IDB Lab), these benchmarks are not far off from IDB Lab’s results. More generally, IDB Lab’s support of innovations that are mostly incremental in nature and new only to the specific context or country (see paragraph 2.16) can at least in part explain the finding of relatively high rates of achievement of project objectives.

63 For an overview, see, for example, Castellion and Markham (2013).

3.14 Among the projects that are achieving their objectives, some have the potential for outsize impacts. The rates of achievement of objectives provide only a partial view of the impacts a project may have. While assessing impacts is difficult, the evaluation has, among IDB Lab’s successful projects, come across some that are already producing considerable benefits and have the potential for significant impacts if scaled further (see Table 3.2 for three examples).

Table 3.2. Examples of IDB Lab-supported innovations with high impact potential

Project 1	Project 2	Project 3
<p>This project created a community-operated, solar-powered river transport enterprise for an indigenous community, solving their critical problem of insufficient access to efficient and sustainable transportation.</p> <p>It successfully designed and built two solar-powered boats and a recharge station, which are run by the same community benefited by it. Given the success of this initiative, it is in the process of being scaled up to other communities.</p>	<p>This project established a pilot “habitat bank”, which finances initiatives that improve biodiversity, such as the restoration of degraded lands and training farmers in the use of sustainable agricultural practices. The habitat banks fund these initiatives by selling biodiversity credits to firms that are required to thereby offset adverse impacts they may have on the environment.</p> <p>The initial pilot is being successfully implemented, has already been expanded to another location, and is being scaled up to protect an additional at least 5,000 hectares of land, in addition to the initial 600 financed under the pilot.</p>	<p>Responding to the crisis faced coffee growers caused by the coffee rust epidemic and the low price of coffee on the commodity market, the project created new tools to increase access to credit, increase productivity, and stabilize coffee-growing income. Key products developed include a tracking system for coffee-growing activities, an app for soil analysis, and a new loan product and parametric insurance for coffee growers.</p> <p>Exceeding the project’s original scope, the project’s tools have been adopted by national institutions and are in the process of being rolled out across the country.</p>

Source: OVE.

3.15 Targeting poor and vulnerable populations seems to be correlated with a lower likelihood of achieving project results, but most other comparisons based on project characteristics are inconclusive. The evaluation team compared the 94 far enough advanced projects of different types and characteristics⁶⁴ to see whether certain project groups seem to be more or less successful in achieving their expected results than others. In almost all cases, differences in the likelihood of results achievement are too small, or based on too limited a number of observations (given the dispersion of IDB Lab’s portfolio), to be meaningful. Some of the few differences found were among success rates by country group, in that projects had lower rates of fully or mostly achieving expected results in A (58%, or 11 of 25 projects) and D (63%, or 19 of 33 projects) countries than did projects in B (76%,

⁶⁴ The evaluated characteristics included whether the project had co-financing, the financing instrument used, the type of EA, the project’s size, vertical, activity, country group, poor and vulnerable focus, innovation stage, intensity of innovation, and use of technology. This was done by comparing relevant statistics of success per characteristic, as well as by testing a multivariate ordinal logit model with these covariates.

or 16 of 24 projects) and C (71%, or 10 of 24 projects) countries, as well as regional projects (69%, or 11 of 25 projects). Another difference found was for projects explicitly targeting the poor and vulnerable strata, which show lower rates of achieving their expected results (63% for the 41 projects with direct benefits, 72% for the 18 projects with explicit indirect benefits) than projects not explicitly targeting them (83% for the 24 projects that may implicitly benefit them, 88% for the 8 projects not explicitly benefiting them). These results, however, have to be read with caution as there are many fewer sufficiently advanced projects not explicitly benefiting the poor and vulnerable (32 sample projects) than those that do (59 sample projects). A frequently encountered driver of project failure is lower-than-expected uptake of the supported products, services, or technologies by the target populations (see Table 3.3 for two typical examples). The use of technology also seems negatively correlated with the achievement of results, in that 68% of the 60 sufficiently advanced technology-based sample projects seemed to have mostly or fully achieved their results, compared with 76% of the 34 projects not involving technology.

Table 3.3. Examples of failed projects targeting poor and vulnerable populations

Project 1	Project 2
The project aimed to provide technical training and access to credit to agroforestry cooperatives to improve productivity and production quality. The technical training component has made good progress, but the credit component has not, as there has not been demand for credit from the agroforestry cooperatives, at least at the interest rate offered.	The project's aim was to demonstrate and implement a private sector solution for climate change resilience with enhanced productivity. Specifically, it aimed at supporting the adoption of crop rotation technologies by small farmers, but the technology was adopted only by a small percentage of farmers (132 of 2,000 originally planned).

Source: OVE.

3.16 Inadequate results tracking prevents a full assessment of the extent to which IDB Lab projects have contributed to core IDB Lab development mandates. The evaluation team reviewed those sample projects it deemed to have clear and explicit ambitions to generate benefits for poor and vulnerable populations and on cross-cutting issues (environmental soundness and sustainability and climate resilience; gender equality, women's empowerment, and diversity), to assess to what extent these projects had reached or were on track to reach the expected development results for these specific beneficiary groups or topics. For between 41% and 70% of closed projects, depending on the specific objective (Figure 3.5), it was not possible to assess whether the project had contributed to the IDB Lab core mandate objectives.⁶⁵ Only a minority of sample projects

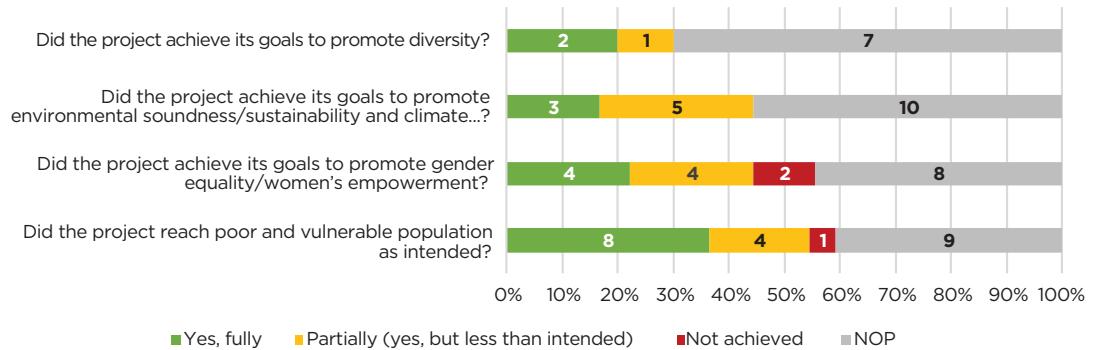
⁶⁵ The situation is similar for ongoing projects of the sample, with the exception that, apart from the similarly large share of projects for which there is insufficient information (between 33% and 64%, depending on the strategic objective), there are also many projects (between 22% and 32%, depending on the strategic objective) for which it is

(36% of projects supporting the poor and vulnerable, 17% of projects supporting environmental sustainability, 22% of projects supporting gender topics, and 20% of projects incorporating diversity goals) had fully achieved their intended development goals related to core IDB Lab mandates, according to the available information.

Figure 3.5

Achievement of intended development goals (closed projects)

Source: OVE.



Note: Graph shows only closed projects that were intended to contribute to one or more of these objectives.
NOP = no opinion possible due to insufficient information.

3.17 Given the long tenors of reimbursable projects, it is too early to fully assess their achievement of financial return expectations. No reimbursable projects had been completed at the time of evaluation, given their long maturities. Of the overall 23 reimbursable sample projects, 9 are too early into their implementation (or not being implemented yet) to assess their likelihood of achieving their expected financial results. For the remaining 14 projects, the available evidence suggests that the majority (11 projects) seem, thus far, mostly or fully on track to reach their financial return goals, whereas 2 are off track. There was insufficient information to make a determination for 1 additional project. It is important to note that the assessments were based in large part on information received during 2020, which may not yet fully reflect the ongoing impacts of the COVID-19 pandemic.

3.18 The main takeaways regarding effectiveness based on the evidence outlined above are briefly summarized in Box 3.2.

Box 3.2. Main takeaways: Effectiveness

- Assessing the effectiveness of IDB Lab projects is challenging given inadequate project- and platform-level results frameworks.** This includes the failure of more than one-third of projects that were explicitly intended to create benefits for poor and vulnerable populations to establish relevant indicators for such benefits, or then to monitor them. To assess project effectiveness despite these shortcomings, the evaluation often had to rely on data collected through additional means, such as interviews, surveys, and the review of additional

too early to make a determination.

documentation. Unless these weaknesses in the quality and availability of project-level results data are addressed, IDB Lab is unlikely to achieve systematic, effective, and efficient learning based on complete information even if IT systems improvements solve aggregation issues.

- **Based on information from IDB Lab and EAs, most IDB Lab projects seem to achieve their specific expected objectives and results, but often fail to collect data on results related to poor and vulnerable populations and cross-cutting issues.** More than three-quarters of sufficiently advanced projects on which there is at least somewhat up-to-date and appropriate results information appear to reach their stated objectives and results, whereas fewer than half of projects for which data are lacking (43% of sufficiently advanced projects) appear to be on track. Based on the available information, only a minority of completed IDB Lab projects can provide evidence that their intended results, specifically for the poor and vulnerable or regarding cross-cutting topics, have in fact been fully achieved, with significant shares not having collected the relevant data. Given the evaluation team's inability to visit clients and projects in person and reach beneficiaries, all data on project results achievement were collected from IDB Lab internal sources or EAs and were therefore not independently verified.
- **Explicitly targeting poor and vulnerable populations and involving technology seems to correlate with somewhat lower chances of project success.** Similarly, projects in A and D countries exhibit lower success rates than projects elsewhere. These results have to be interpreted with caution, however, given the limited number of observations.

Source: OVE.

C. Sustainability

3.19 In the context of innovations, sustainability is not equivalent to, but often closely linked with, scaling and replication. Sustainability is generally defined as the extent to which the results of a project (including the solutions being supported) are likely to continue existing after the project has closed. In the context of innovation, a related concept is the extent to which the solution grows beyond the initial beneficiaries and is eventually scaled or replicated.⁶⁶ This section therefore examines the available evidence on both: the extent to which the project results and the solutions themselves are deemed sustainable and, in addition, the extent to which they have been scaled and/or replicated.

3.20 Based on information provided by IDB Lab and EAs, most development results of completed IDB Lab projects are deemed to be sustainable. Of the 26 completed projects, 17 (65%) are considered likely to be sustainable, and 6 (23%) likely to be unsustainable (with the rest having insufficient information or being not intended to exist past IDB Lab's project). Only 4 completed projects have already received follow-on funding. When expanding the analysis to include both completed projects and those not completed but sufficiently advanced to make a determination on likely sustainability (75 sample projects), 61

⁶⁶ Scaling and replication are part of IDB Lab's MIF III functions. Not all IDB Lab projects were, however, meant to be scaled or replicated.

projects (81%) were deemed likely to be sustainable based on the information obtained from and triangulated between documents, surveys, and interviews. For 10 projects (13%), it is already clear that the solution is unlikely to continue existing beyond IDB Lab's support.⁶⁷

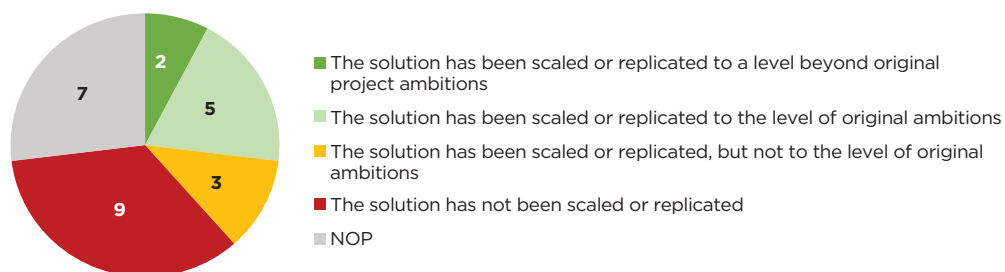
- 3.21 Financial and economic risks are the most frequent risks faced by completed projects for the future sustainability of their results. Sustainability risks have materialized or are likely to materialize for 22 of the 26 completed projects. The sustainability risks they face are very diverse, with the most common challenges relating to financial or economic issues (6 projects), the COVID-19 pandemic (5 projects), market/demand risks (4 projects), and management risks (4 projects). For 15 of the 22 closed projects for which sustainability risks have materialized or may materialize, the evaluation team considered those risks to be sufficiently mitigated to deem the projects likely sustainable despite these risks. Another 5 projects were considered not sustainable, and for another 2 it was too early to tell (1 project) or there was insufficient information (1 project) to assess the adequacy of mitigation measures.
- 3.22 About one quarter of completed projects have met scaling expectations. When looking at the 26 closed projects, OVE found evidence that for 7 projects, the solutions have already been replicated or scaled beyond the project beneficiaries to the expected extent or more; 3 projects have been scaled but less so than expected; 9 have not been scaled, and for 7 there is not enough evidence to arrive at a conclusion (Figure 3.6). For 4 of the 9 completed projects that have not been scaled, there is evidence that the solution is unlikely to be scaled in the future. In addition, another 19 still ongoing projects already show evidence of scaling. The considerable gap between the share of closed projects that have been scaled/replicated (38%) and the share of closed projects deemed likely to be sustainable (65%) illustrates that (i) sustainability is not always dependent on replication/scaling and (ii) the ability of many solutions to reach wider audiences or geographies may be limited. Given the early stage at which IDB Lab tends to intervene in the innovation cycle, some projects may potentially be scaled or replicated at a later stage, with the limited time during which IDB Lab follows its projects before their completion preventing more definitive findings on the extent of scaling of IDB Lab projects.

⁶⁷ For one project, the available information was insufficient to assess the likelihood of sustainability, and three projects were not intended to continue beyond IDB Lab's involvement. For examples of sustainable and unsustainable projects, see Table II.5 in Annex II.

Figure 3.6

Level of scaling or replication of completed sample projects

Source: OVE.



Note: NOP = no opinion possible due to insufficient information.

3.23 Solutions are typically scaled by the EA itself, and scaling by the IDB Group has been rare. Of all 29 (completed and ongoing) already scaled or replicated sample projects, 16 were scaled by the same EA supported by IDB Lab and 7 were scaled or replicated by other private sector organizations. Scaling or replication through public-private alliances is rare (3 projects), and so are public sector scaling partners (1 project). For 2 scaled projects, it was not possible to determine the scaling vehicle or partner based on the available information.⁶⁸ Despite expectations for IDB or IDB Invest to be a scaling partner for a significant number of IDB Lab projects given IDB Lab’s mandate to align with and complement the rest of the IDB Group,⁶⁹ to date such arrangements have been rare. For the evaluation portfolio of 320 projects, there is evidence of scaling with financing from IDB Invest for only 5 projects, and 2 projects have scaled with IDB support.

3.24 The main takeaways regarding sustainability based on the evidence outlined above are briefly summarized in Box 3.3.

Box 3.3. Main takeaways: Sustainability

- **Based on information provided by IDB Lab and EAs, most completed IDB Lab projects are deemed sustainable, whereas a minority have been scaled or replicated to date.** For a significant number of completed projects (21%) there is insufficient information to know whether they have or have not been scaled or replicated. The EA is typically the one to scale its own solution, whereas scaling with support by IDB or IDB Invest has been relatively rare thus far.

Source: OVE.

68 Four projects were scaled through entities not falling into these categories, such as research organizations, local training institutions, cooperation agencies, or funds.

69 Of the sample projects, 20 (12%) were or are expected to be scaled by IDB Invest (16) or IDB (4). These numbers include information provided by team leaders and are therefore higher than the number of instances in which IDB Invest had been formally indicated as a potential partner in scaling plans outlined in approval documents (see paragraph 2.19).



04

Knowledge Products

4.1 This chapter presents OVE’s findings on IDB Lab’s production and use of knowledge products. As laid out in the evaluation questions developed for the Approach Paper for this evaluation (document [MIF/RE-5-2](#)), OVE reviewed the available evidence to assess (i) what types of knowledge IDB Lab creates and the intended channels for its use and dissemination, and (ii) which audiences (including those both internal and external to the IDB Group) this knowledge reaches, and what we know about its use by such audiences—to the extent this is possible to assess. Since events can be an important channel for disseminating knowledge, OVE also conducted a review of events organized by IDB Lab. The assessment of knowledge products and their use was hampered by a lack of consistent tracking of relevant information by IDB Lab, resulting in the need for the evaluation to construct all relevant databases by drawing on numerous data sources (see Annex III for more detail).

A. Knowledge created, and channels for its use and dissemination

4.2 IDB Lab produces various types of knowledge at the project and corporate levels. At the project level, knowledge products are often project outputs such as insights, best practices, and lessons learned regarding the supported innovations and other project aspects. Other project-level knowledge products are inputs such as market or technical studies to inform project design and activities. At the corporate level, IDB Lab produces reports or knowledge products in other formats on the implementation, results, and impact of its work, and promotes and supports the creation of studies meant to fill knowledge gaps and serve as regional public goods. It also publishes, at the corporate level, selected project-level knowledge products that are considered relevant to a wider audience, creating some overlap between project- and corporate-level knowledge.

4.3 IDB Lab has somewhat lowered its production of corporate-level knowledge products during the 2017–2020 period, compared with 2012–2016. An inventory constructed by OVE based on the IDB publications portal and numerous additional sources shows that IDB Lab published 226 corporate-level publications between 2012 and 2020.⁷⁰ Because of data availability limitations,⁷¹ this inventory might not be complete, but it clearly shows that, in

⁷⁰ For knowledge products (and events), OVE reviewed the available evidence on trends since 2012 because, for these activities—unlike for projects—OVE’s first-phase report had not yet included comparisons between the MIF II and MIF III periods.

⁷¹ Not all IDB Lab institutional knowledge products are published on the IDB publications portal, particularly older publications. OVE therefore complemented the publications list from the portal with publications mentioned in other sources, such as Development

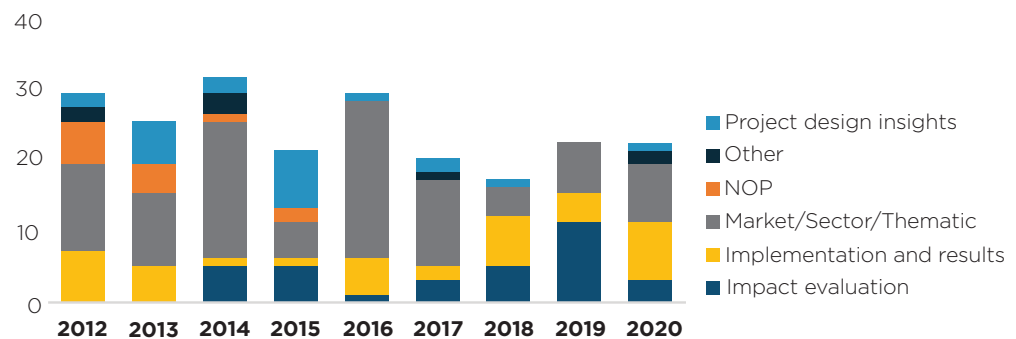
terms of content, the most common categories are market, sector, and thematic studies (43%) as well as publications about the implementation and results of IDB Lab’s portfolio and projects (40%). Impact evaluations constitute 8%, and project design insights 6% of publications.⁷² The inventory shows furthermore that the number of published publications dropped in both 2017 and 2018 (Figure 4.1) but recovered somewhat in subsequent years, and that the content has moved from insights on project design to analysis of project results, such as case studies and reports presenting aggregated results. Overall, the 2017–2020 period saw fewer IDB Lab corporate-level publications (22.8 per year on average) than the 2012–2016 period (27 per year on average) but more copublications with other parts of IDB Group (from 35% of publications in 2012–2015 to 43% in 2017–2020). These findings are consistent with the reduction in funding for corporate-level knowledge activities and the seeking of greater synergies with the rest of the IDB Group during the MIF III period, as identified during the first phase of the evaluation.

4.4 Limited information is available on the extent to which planned

Figure 4.1

Content type of IDB Lab corporate-level publications by year

Source: Content type of IDB Lab corporate-level publications by year



Note: “Other” includes, for example, practical guides and conceptual frameworks. NOP = no opinion possible.

project-level knowledge products were in fact produced. A comprehensive review of Donors Memos indicates that 70% of projects approved since 2016 planned to generate at least one knowledge product, and 72% planned at least one event. The average number of planned knowledge products per project since 2016 (0.84) is lower than during the 2012–2015 period (1.53). The most common format of planned knowledge products is that of a study or report, and a bit over half are

Effectiveness Reports, work plans, and execution reports. Not all of these sources are available for all years, and the way some sources cover publications differs among years.

72 Apart from written publications, IDB Lab also produces knowledge products in other formats, such as videos, datasets, and websites, but these are a small minority and were not analyzed in detail.

outputs of the projects.⁷³ There is no consistent tracking of whether planned project-level knowledge products or activities are in fact realized, limiting IDB Lab's ability to have an overview of knowledge in fact generated at the project level, as well as OVE's ability to compare plans against actually produced knowledge products.⁷⁴ An analysis of the sample projects based on several sources does, however, provide some insights: 84% of projects included or somewhat included plans to generate and/or disseminate knowledge, but only 49% were far enough advanced to potentially have produced these activities. Of the latter, 58% were found to have fully implemented the plans, 24% to a limited extent, 8% not at all, and for 11% there was insufficient information to make a determination.

- 4.5 The market, sector, and thematic knowledge products published by IDB Lab are mostly aligned with IDB Lab's thematic priorities in the MIF III period, but with different verticals than IDB Lab financing projects. For alignment, OVE focused on the 52 publications of IDB Lab produced between 2016 and 2020 that are classified as market, sector, or thematic studies, because all other publications directly relate to IDB Lab projects and should therefore, by design, be aligned with IDB Lab's operational priorities. Of these 52 publications, 30 (58%) are strongly aligned with at least one of the nine thematic verticals, with the most common being building innovation ecosystems, preparing for the future of work, and the circular economy.⁷⁵ These three verticals are different from the dominant verticals of IDB Lab's project portfolio, indicating that IDB Lab was able to cover more thematic focus areas through knowledge products than through financing projects alone, but that most corporate-level thematic knowledge products have not contributed to learning in the areas of main operational focus. The 22 remaining publications are all related to remittances and financial inclusion, which were priorities under MIF II (15 of the 22 were released in 2016 and 2017, and are therefore likely to have been initiated before the MIF III period). Regarding other priorities, more than half of the 52 publications focus on poor and vulnerable populations. However, fewer than one-third

⁷³ Products classified as outputs include impact evaluations or lessons learned from the project. Products classified as inputs include, for example, market studies to estimate demand for an innovation.

⁷⁴ The MIF intranet, a platform to register both institutional and project-level knowledge products, was in use before MIF III but was phased out after 2015 because of budget cuts and a shift in priorities, resulting in incomplete data on knowledge products, particularly of those produced after 2013.

⁷⁵ The 30 publications are primarily aligned to building innovation ecosystems (12 publications), preparing for the future of work (4), the circular economy (4), financing knowledge economy start-ups (3), transformation of urban services (2), the orange economy (2), farm-level solutions to improve livelihoods (2) and transformation of value chains (1).

(28%) address one or both of IDB Lab’s cross-cutting themes: one in four is related to environmental sustainability, and only 6% to gender and diversity.

4.6 IDB Lab’s corporate-level knowledge products are disseminated through IDB Lab’s website and social media channels, whereas project-level knowledge is disseminated mainly by the executing agencies (EAs). Most of IDB Lab’s institutional knowledge products are published on IDB Lab’s website and promoted through social media channels. For priority publications, IDB Lab also organizes events or additional activities (such as the creation of web pages, paid social media campaigns, press releases, or blog posts) for internal and external dissemination. While the most frequently planned project-level events are workshops and trainings (followed by presentations and panels), there is no aggregate tracking of the extent to which planned activities are in fact carried out. Surveys and interviews with EAs and team leaders suggest that project-level knowledge is typically disseminated by the EAs, with common channels including workshops, webinars, trainings, conferences, websites, and social media. These efforts are sometimes supported or complemented by IDB Lab and other organizations, such as funding and implementing partners, national and local governments, and media outlets. According to the combined results of the team leader and EA surveys, in more than half of the cases in which knowledge from projects is disseminated,⁷⁶ dissemination includes recipients outside of immediate project stakeholders. In around 70% of cases, project-level knowledge was disseminated within IDB Lab and/or the rest of the IDB Group.

4.7 Events organized by IDB Lab have shifted from an external to an internal focus. Apart from helping establish and strengthen connections and originate new project opportunities, events can be important knowledge dissemination vehicles. Based on an inventory compiled by OVE of IDB Lab-organized events that include a knowledge component,⁷⁷ there have been 152 such events since 2012—an average of almost 17 per year. The inventory represents the most complete picture possible of IDB Lab-organized events but is likely to be incomplete due to data availability limitations.⁷⁸ Despite such limitations, two trends are

76 The extent of knowledge dissemination was assessed for those 38 sufficiently advanced projects for which both the EA and team leader survey were answered. According to the survey results, knowledge has been disseminated from 29 of these 38 projects thus far.

77 This excludes events such as art exhibitions, award contests, information sessions about IDB Lab initiatives, and meetings or workshops to make decisions or formulate policy. Training of IDB Lab staff was also not included, nor were events for which IDB Lab was not one of the main organizers.

78 Similar to the publications inventory, the events inventory is based on a series of sources that changes over time. The most important sources are the MIF intranet and a database of events supported by IDB’s Knowledge, Innovation and Communications Sector, which are complemented by information from work plans, execution reports,

very clear in the data and backed up by supporting evidence:⁷⁹ (i) there has been a decrease in the number of external events during the MIF III period, with a recovery in 2020 driven by the large number of webinars hosted during the COVID-19 pandemic, and (ii) there has been a shift from events targeted at external audiences to events that primarily aim to disseminate knowledge within IDB Lab or the IDB Group. These trends are consistent with the increased emphasis placed by the MIF III mandates on alignment and complementarity with the rest of the IDB Group. Prominent external events are the annual regional Foromic conferences and the WeXchange Forum,⁸⁰ while internal events include two recently created knowledge sharing spaces: the IDB Lab Series of webinars and the informal Portfolio Talks series.

- 4.8 The evidence collected on selected flagship events points to efforts by IDB Lab, amid some difficulties, to maintain their alignment with strategic priorities. After IDB Lab's focus shifted away from remittances and public-private partnerships, important events and publications on these topics were discontinued or transferred to IDB and IDB Invest.⁸¹ Foromic, IDB Lab's flagship conference, had a long history as the Latin America and the Caribbean (LAC) region's main annual conference on microfinance and financial inclusion.⁸² As this topic became less important for IDB Lab under MIF III, in 2018 IDB Lab tried to rebrand Foromic as an event that brings together inclusion and innovation. These efforts have, however, not led to a large shift in the profile of the recurring Foromic attendees and cosponsors, who are no longer deemed a good representation of the clients and projects targeted by IDB Lab. IDB Lab is therefore currently redesigning the event, facing a difficult trade-off between continuing a highly successful event with a large and loyal participant and cosponsor base and better aligning with its strategic priorities.

B. Audiences and their use of IDB Lab-created knowledge

- 4.9 There are limited data on the use of IDB Lab knowledge products. Only a few data points are available that describe the use of IDB Lab-generated knowledge by different audiences, which include IDB

and other IDB Lab documents. Both main sources are available only for certain years and are more likely to miss certain events than others. Annex III provides a more detailed discussion of these caveats.

79 Supporting evidence includes interviews and findings from the first evaluation phase.

80 Another large annual conference hosted by IDB Lab in the past, PPP Americas, was taken over by IDB and IDB Invest after 2017, given IDB Lab's shift in focus away from public-private partnership (PPP) issues.

81 Including the PPP Americas conferences and two annual publications, (i) The Infrascopes and (ii) Remittances to Latin America and the Caribbean.

82 Foromic has been held since 1998. Initially hosted by the IDB, the event became the responsibility of IDB Lab in 2007.

Lab itself, staff from other parts of the IDB Group, and external users. The information that IDB Lab systematically collects on the use of its knowledge products is limited to information on views and downloads of the publications offered on the IDB Publications Portal. While this is detailed information, not all IDB Lab knowledge products—particularly project-level knowledge products—are uploaded to this portal, and these metrics reflect only limited aspects of use. Studies on the use of specific knowledge products were carried out in the past, but the most recent dates from 2014. IDB Lab has recently started to collect data related to how useful the knowledge it creates is, through such means as including a question regarding knowledge in its client survey in 2020, the responses to which were used to determine IDB Lab’s “net promoter score” for knowledge. Early that same year, plans to start measuring how IDB Lab is positioned in priority topics were presented in IDB Lab’s Revised Key Performance Indicators⁸³ (document [MIF/GN-217-3](#)), but OVE did not find evidence that these measurements have started.

- 4.10 The available evidence is insufficient to determine the extent to which the level of use of IDB Lab knowledge products is adequate. In OVE’s survey conducted during the second evaluation phase, IDB Lab team leaders indicated that knowledge, when created by their projects, has been used to inform other activities or work conducted by IDB Lab or the IDB Group in 44% of cases (52% when considering only fully disbursed projects). Only 1 of 7 respondents to the IDB and IDB Invests specialists’ survey conducted during the first evaluation phase reported that they had used IDB Lab knowledge products within their own work.⁸⁴ IDB Lab publications published on the IDB Publications Portal have obtained a total of approximately 490,000 views, with an average of 3,680 and median of 1,827 per publication. The average number of views is lower than that of IDB publications⁸⁵ but has increased in recent years. While these results provide some insights on the use of knowledge generated by IDB Lab, emitting evaluative judgements based on them is not possible since there are no clearly established goals regarding their use, nor are there suitable benchmarks.
- 4.11 There are both positive and negative indications regarding the usefulness of IDB Lab’s knowledge products. Almost one in three IDB and IDB Invest specialists who responded to a survey during the first evaluation phase consider that IDB Lab knowledge products

83 Early that same year, plans to start experimenting with additional ways to measure how IDB Lab is positioned on priority topics, and to measure the reported use by clients of specific publications and events, were presented in IDB Lab’s Revised Key Performance Indicators (document [MIF/GN-217-3](#)), but OVE did not find evidence that these efforts have started.

84 This data point is particularly difficult to interpret since not all surveyed specialists may work in topics to which IDB Lab-generated knowledge is relevant, and since knowledge products do not necessarily capture other, more tacit knowledge generated by IDB Lab.

85 This can be expected based on the difference in size and reach between the institutions.

have added value by strengthening learning by the IDB Group in the area of innovation. In addition, the survey of EAs showed that EAs generally highly value knowledge generated by IDB Lab projects.⁸⁶ IDB Lab's annual client survey shows that the proportion of clients with a positive perception of IDB Lab as a knowledge source increased between 2020 and 2021 and is considerably higher than those with a negative perception.⁸⁷ Other sources, however, point to weaknesses regarding the effective use of knowledge created through projects. The IDB Lab staff survey conducted during the evaluation's first phase revealed that a majority of respondents considered IDB Lab not to have effective procedures in place to learn from projects, while an internal IDB Lab assessment concluded that the knowledge that is created "is scattered, difficult to access, and in large part tacit" and that "learnings are generally not aggregated at the thematic level, making the IDB Lab's knowledge base quite fragmented and diffuse."⁸⁸

4.12 The main takeaways regarding knowledge products based on the evidence outlined above are briefly summarized in Box 4.1.

Box 4.1. Main takeaways: Knowledge products

- **Limited information is available on the extent to which planned project-level knowledge products were in fact produced.** Of projects approved since 2016, 70% have planned to generate at least one knowledge product, and 72% planned at least one event. However, there is no consistent tracking of whether planned project-level knowledge products or activities are in fact realized.
- **The market, sector, and thematic knowledge products published by IDB Lab are mostly aligned with IDB Lab's thematic priorities in the MIF III period, but with different verticals than its operational program.** Almost 60% of those publications are strongly aligned with at least one of the nine thematic verticals, while some (mostly older) publications are aligned not with MIF III but with MIF II priorities. The concentration of knowledge products in different verticals than IDB Lab financing projects can indicate that although IDB Lab attempts to cover more of its thematic focus through knowledge products than through projects, many knowledge products may not contribute to learning in IDB Lab's main operational focus areas.
- **Events organized by IDB Lab have shifted from an external to an internal focus.** There has been a decrease in the number of external events during the MIF III period, with a recovery in 2020 driven by the large number of webinars hosted during the COVID-19 pandemic. In line with IDB Lab's mandate to increasingly align with and complement the rest of the IDB Group, coupled with a reduction in funding for knowledge activities, events have shifted to

86 For 86% of the projects for which knowledge products have been created, the EA survey indicated that this knowledge has been very useful to EAs' organizations. This survey was sent to the EAs of all 320 projects approved between July 2016 and December 2020 for which contact details could be found (256 of 302 EAs), and completed for 140 projects (44%). EAs of more successful projects might have been more likely to complete the survey, potentially creating a positive skew in the answers.

87 The net promoter score for IDB Lab as a knowledge source in 2020 was 46, in comparison with 34 for the IDB. IDB Lab's score increased from 46 in 2020 to 63 in 2021. The Lab's net promoter score for knowledge is higher than its score for connections but lower than its score for funding.

88 IDB Lab Knowledge Framework (document [MIF/GN-257](#)), p. 3.

targeting mainly Group-internal audiences. Maintaining alignment of IDB Lab's flagship event Foromic with IDB Lab's changing strategic priorities has been a challenge.

- **The available evidence is insufficient to determine the levels of use and usefulness of IDB Lab knowledge products and whether they are appropriate.** Some IDB and IDB Invest specialists consider that IDB Lab knowledge products have added value, and EAs generally appreciate knowledge generated by IDB Lab projects. Other sources, however, point to weaknesses regarding the effective use of knowledge created through projects. Most of the IDB Lab staff survey respondents consider IDB Lab not to have effective procedures in place to learn from projects.

Source: OVE.



05

Implementation
of OVE prior
recommendations

- 5.1 Progress on implementing the five recommendations of OVE's 2013 evaluation has been limited. Following the evaluation, Management identified a series of actions to address the issues raised by the recommendations (documents [MIF/GN-166-1](#), [MIF/GN-166-2](#), and [MIF/GN-166-3](#)), but their implementation was halted after 2015. See Box 5.1 for summarized findings on their implementation status based on the findings of both evaluation phases (for more detail, see Annex IV).

Box 5.1. Implementation of prior OVE recommendations

Implement a corporate results framework, ensuring that it preserves the MIF's flexibility to innovate: IDB Lab has a comprehensive system of key performance indicators that is useful for tracking the mix of approved operations against a set of targets; it has significant limitations, however, for tracking and showing the results of IDB Lab operations.

Better define the MIF's strategy for targeting low-income beneficiaries and promoting poverty reduction: While some parts of IDB Lab's thematic areas target poor and vulnerable populations, strategic documents offer few specifics of how the prioritized technology-based innovations are to overcome the barriers that often prevent the benefits of these innovations from reaching the targeted beneficiaries. Project approval documents often fail to specify the assumptions needed for, and risks posed to, the materialization of the intended benefits for these populations.

Further specify and clarify the role of the public sector in scaling up innovation: The role of the public sector in scaling up innovation supported by IDB Lab continues to be unclear. Several units within the IDB Group now work directly with governments on innovation. This can create areas of overlap and lack of clarity in IDB Lab's role regarding public sector innovation needs. The scaling path through IDB operations, moreover, presents practical challenges. Only two of the 320 projects approved during the MIF III period were found to have scaled up through IDB operations.

Strengthen the tracking of implementation and results: Results tracking at the project level continues to exhibit significant weaknesses, in that results frameworks are often inadequate for understanding the success or failure of projects to reach their objectives, and data on project implementation and results are often incomplete or outdated. Moreover, IDB Lab still lacks the processes, tools, and systems to meaningfully conduct results reporting at the aggregate portfolio level.

Better define and strengthen the MIF's role as a knowledge broker: During most of the evaluation period, IDB Lab lacked a strategy defining its knowledge priorities, outsourced certain knowledge functions to other parts of IDB Group, and significantly lowered funding for knowledge activities. IDB Lab staff and Management acknowledge deficiencies in IDB Lab's ability to learn from its operations, and a new knowledge framework, emphasizing learning from operations, was recently presented to Donors (March 2021). The new framework, however, still lacks sufficient focus and guidance on how IDB Lab will prioritize to make the most effective use of its limited resources for this purpose. The second-phase evaluation of knowledge products confirms that most parts of this recommendation remain unaddressed.

Source: OVE.



06

Conclusions and recommendations

6.1 This section combines the main findings of both evaluation phases, structured by evaluation criteria, and presents recommendations based on these conclusions. It presents, in abbreviated form, the main findings and conclusions of the first evaluation phase (document [MIF/RE-5-6](#), section IV), which focused on corporate and strategic aspects, followed by those of the second phase, to arrive at a complete picture of both the corporate/strategic and the operations levels of IDB Lab. The conclusions are grouped by the evaluation criteria of relevance, efficiency, effectiveness, and sustainability. It is important to highlight that, while presenting some areas of overlap (such as by confirming the extent to which the adopted strategic focus is reflected in operations), the two evaluation phases and their findings are largely complementary as they focus on different aspects of IDB Lab's role and activities.

A. Relevance

6.2 The first evaluation phase concluded that IDB Lab's mandate of supporting private sector innovation continues to be relevant, but that IDB Lab's mandates are numerous and present tensions that are insufficiently resolved by the broad strategic focus adopted by Management. The main first-phase findings on relevance are summarized in Box 6.1.

Box 6.1. Main findings of the first evaluation phase: Relevance

- **Innovation support:** The evaluation found ample evidence that the Latin America and the Caribbean (LAC) region still lags other regions in terms of how much innovation it generates, and that investment in innovation remains scarce overall in the region and highly concentrated in a few countries. OVE cannot ascertain, however, to what extent the IDB Group and IDB Lab in particular have a distinctive role in financing and supporting innovation.
- **Specific MIF III mandates:** The mandates laid out for IDB Lab by Donors are numerous and present some tensions and contradictions. IDB Lab is expected to support private sector innovations that scale but to do so with a focus on poor and vulnerable populations, which may pose challenges to the uptake and financial viability of innovations, and even though its mission as a lab implies that it intervenes long before scaling can be observed. It is tasked to be a lab that experiments and takes risks, but at the same time to be alert to financial sustainability. It is expected to support innovations that scale through the rest of the IDB Group, even though it is unclear whether this scaling path is efficient. Taken together, these mandates can pull IDB Lab in too many conflicting directions for it to be effective, and they can create misaligned expectations between IDB Lab and Donors unless IDB Lab Management clearly spells out how it will prioritize among the mandates to focus its interventions.
- **Strategic focus:** The strategic focus adopted by IDB Lab Management is too broad and fails to make explicit how certain activities respond to its mandates and to the region's heterogeneous needs. Strategic documents do not make

explicit how IDB Lab's recent focus on technology-based innovations is reconciled with its mandate to benefit the poor and vulnerable given the many barriers faced by poor and vulnerable populations in accessing and using technology. The very broad strategic focus areas, amid a lack of clarity among IDB Lab and IDB Group staff about how IDB Lab prioritizes within these areas, mean that there is a risk that IDB Lab may originate a portfolio that is too dispersed for impact in any one area. There is also an absence of clarity on what types of knowledge activities IDB Lab is to direct its reduced resources to, and in exactly what ways IDB Lab and the rest of the Group are supposed to complement each other, which is particularly important since transfers from IDB are considered in the context of potential future funding scenarios for IDB Lab.

Source: OVE, based on document [MIF/RE-5-6](#).

- 6.3 The evaluation's second phase found that the IDB Lab project portfolio is aligned with the Lab's broad mandates, focuses on moderately innovative solutions, and—while concentrated in certain sub-areas of IDB Lab's strategic focus—covers a very diverse set of activities. The fact that IDB Lab projects are aligned with the Lab's mandates is unsurprising given the lack of definition, by Donors or IDB Lab Management, of key terms such as poor and vulnerable populations. The review of operations also confirms that IDB Lab indeed targets underserved market segments, which is an indication of additionality. Despite IDB Lab's recent focus on disruptive innovation, most solutions IDB Lab supports are just moderately innovative, in that (i) they have been tested or deployed elsewhere and (ii) they represent improvements to existing products, services, or processes. IDB Lab's project portfolio is concentrated in three of the nine sub-areas of IDB Lab's strategic focus and is therefore more concentrated than the strategic focus itself would imply. The projects within these very broad three dominant areas are, however, so diverse that no clear picture of business lines with critical mass for learning emerges. Corporate-level thematic and sector publications are concentrated in different verticals than IDB Lab financing projects, possibly indicating that although IDB Lab attempts to cover more of its thematic focus through knowledge products than through projects, many such knowledge products may not necessarily contribute to learning in IDB Lab's main de facto operational focus areas.
- 6.4 The second phase also found that a majority of IDB Lab projects are intended to benefit poor and vulnerable populations, but they often do not spell out any risks to the materialization of the desired results. While most IDB Lab projects explicitly state an intention to benefit poor and vulnerable populations, the risks that can prevent benefits for these target groups from materializing are often not made explicit in Donors Memos. As a result, decisionmakers may have incomplete information when making investment decisions,

as well as overly optimistic expectations regarding the likelihood of development results for the target populations, which is a real risk given the lower level of project success of projects targeting poor and vulnerable segments (see also paragraph 6.12).

B. Efficiency

6.5 The first evaluation phase concluded that although IDB Lab has cut costs, inadequate systems and processes still pose challenges to the Lab's efficiency, and its large and resource-intensive Donors Committee stands in contrast to IDB Lab's small size and the governance structures of its peers. The evaluation also concluded that the efficiency of IDB Lab's increased collaboration with the rest of the IDB Group is constrained by a lack of clarity on exactly how IDB Lab is to complement the Group. The main first-phase findings on efficiency are summarized in Box 6.2.

Box 6.2. Main findings of the first evaluation phase: Efficiency

- **IDB Lab processes and systems:** IDB Lab is not presently set up to effectively and efficiently extract lessons from its operations, a function that is essential for its role as a lab. IDB Lab's systems, processes, and tools do not allow it to consistently aggregate and communicate information on implementation progress and on the immediate results of its operations, nor on the drivers behind success and failure. IDB Lab has taken steps to improve certain aspects of its systems, better understand its portfolio, and create more regular channels for information exchange. These efforts are important and should continue. But for them to succeed, IDB Lab also needs to ensure that operations staff have the incentives, resources, and tools to collect and share relevant insights.
- **Governance structure:** IDB Lab's Donors Committee is large and resource-intensive, and it individually approves almost all of IDB Lab's small operations, rather than—as is conventional among peer organizations—delegating most such approvals to Management.
- **Collaboration with the rest of the IDB Group:** Collaboration between IDB Lab and the rest of the IDB Group has increased markedly during the MIF III period. The efficiency of some collaboration efforts is, however, constrained by the absence of clarity on IDB Lab's priorities among IDB and IDB Invest staff, and by the need to better define exactly how IDB Lab and the rest of the Group are supposed to complement each other. Is it expected, for example, that IDB Lab-supported innovations will be scaled through IDB operations? This would require IDB Lab to coordinate with IDB to focus on solutions that are likely to be more incremental than disruptive, can demonstrate their effectiveness, and are ready to overcome the practical hurdles posed by procurement rules and government risk aversion. The public sector scaling path also requires more clarification regarding IDB Lab's role in relation to the new innovation initiatives, which work directly with governments, in IDB's Vice Presidency for Sectors. Are IDB Lab innovations expected to scale through follow-on investments by IDB Invest? That path would require, first, a recognition of the constraints posed by IDB Invest's limited equity capacity and, second, extensive coordination with IDB Invest to ensure that IDB Lab supports solutions aligned with IDB Invest's strategic priorities and risk appetite. Should IDB Lab and the rest of the IDB Group jointly define

development problems in need of innovative solutions, which IDB Lab would then support? This approach would mean extensive upstream collaboration to select suitable problems while requiring less collaboration downstream at the operations level and would also be more compatible with a focus on disruptive innovation. IDB Lab appears to be aiming at all of these options, which is unrealistic given its resource constraints.

Source: OVE, based on document [MIF/RE-5-6](#).

- 6.6 The second evaluation phase found significant weaknesses in IDB Lab's project monitoring practices, which, unless addressed, can prevent IDB Lab from learning efficiently even when systems are improved. Established project results indicators are frequently not monitored to a full extent, project information is often outdated, and reasons for project delays and cancellations are not always documented. A lack of full and adequate data at the project level can hinder efficient and effective learning by IDB Lab even with improvements to the grouping and aggregation capabilities of its systems. Documented learning from projects' own experiences is relatively low, in that only half of the evaluated sample projects explicitly referred to prior IDB Lab experiences. In addition to project results, other information not consistently monitored is the proportion of expected co-financing actually materialized and of planned project-level knowledge products produced.
- 6.7 The second evaluation phase also found that only about one-third of IDB Lab projects have been implemented on time and that project costs are not always well documented. Of sample projects in implementation, 48% have seen limited delays and another 14% have seen significant delays. Most recently, the COVID-19 pandemic has had adverse effects on execution, whereas executing agency (EA) capacity and commitment issues are the most important project-endogenous delay drivers. Based on information provided by team leaders, cost overruns are rare, but the reliability of this information is uncertain as supervision documents rarely formally track project costs.
- 6.8 The platforms supported by IDB Lab can be an efficient way for IDB Lab to advance development objectives, but it is not yet possible to fully assess to what extent these efficiencies have materialized. IDB Lab partners extensively with external entities both in the context of its projects and through its supports to platforms, all of which connect relevant parties but otherwise differ substantially in nature. Most supported platforms are in their early stages, preventing a full assessment of how efficiently the platforms model delivers on expected results.

C. Effectiveness

- 6.9 The first evaluation phase found a lack of meaningful information on project results at the aggregate level. IDB Lab generates data on aggregate results indicators that do not meaningfully express the success or failure of the operations it supports at the stage when it supports them. For example, rather than systematically tracking whether supported solutions survive, grow, and receive follow-on funding, and factors that drive or hinder project success, IDB Lab's aggregate results indicators are limited to quantitative measures of end beneficiaries—despite the fact that IDB Lab usually intervenes long before projects produce results for end beneficiaries at a meaningful scale. IDB Lab also prepares detailed ex ante assessments of expectations for its operations, which are then not followed up on during implementation. It furthermore lacks a well-articulated plan for gathering evidence on scaling and other impacts after IDB Lab's involvement, which is when such assessments can generate meaningful insights.
- 6.10 The second evaluation phase found that results indicators are inadequate not only at the aggregate level but often also at the project level. Almost half of evaluated projects have established results matrix indicators and milestones that are only somewhat appropriate or not appropriate at all for understanding whether or not the supported solution was going to successfully reach its objectives. The same is true for one-third of projects explicitly intended to create benefits for poor and vulnerable populations. This mismatch of indicators and objectives, in addition to the aforementioned gaps in project monitoring, makes a complete assessment of the effectiveness of IDB Lab projects challenging without resorting to resource- and time-intensive additional data collection methods, and can prevent IDB Lab from having full and accurate information on which projects fail, which succeed, and why.
- 6.11 Based on information provided by IDB Lab and EAs, most IDB Lab projects seem to achieve their specific expected objectives and results, but they often fail to collect data on results related to poor and vulnerable populations and cross-cutting issues. Of those sufficiently advanced sample projects for which there is at least somewhat up-to-date and appropriate results information, 78% appear to have achieved, or be on track to achieve, their expected results. The same can be said of only 42% of those (fewer) sample projects for which results frameworks and/or the collected data were inadequate, and for which the team therefore used additional data sources to arrive at conclusions wherever possible. Based on the available information, only a minority of completed IDB Lab projects can provide evidence

that intended results specifically for the poor and vulnerable or regarding cross-cutting topics have in fact been fully achieved, with a significant share not having collected the relevant data.

6.12 Explicitly targeting poor and vulnerable populations and involving technology seems to correlate with somewhat lower chances of project success. The analysis of project achievements based on project types and characteristics yielded mostly inconclusive results. This is in part due to the dispersed and young nature of IDB Lab's portfolio, which results in subsample sizes that are too small to allow for meaningful comparisons. The most significant difference was found for projects explicitly targeting poor and vulnerable populations, which show lower rates of results achievement than other projects. Similarly, projects in A and D countries exhibit lower success rates than projects elsewhere in LAC, and projects involving technology seem to exhibit somewhat lower achievement rates than non-technology-based projects. These results have to be interpreted with caution, however, given the limited number of observations, particularly for non-technology-based projects.

D. Sustainability

6.13 Regarding sustainability at the corporate level, the first evaluation phase discussed certain tensions between IDB Lab's mandate to be a lab focused on poor and vulnerable populations and Donor expectations for its increased financial sustainability. On the one hand, IDB Lab's intended role as a lab implies a high risk tolerance for experimentation and failure at early stages, and the use of grants or equity investments, which, for IDB Lab, have historically shown negative returns. On the other hand, Donors' desire that IDB Lab develop financial alternatives to Donor funding could provide incentives for it to operate more like an investment fund rather than a lab, focusing on more mature and thus less risky segments to increase revenues from its operations. Among IDB Lab's peers, those that emphasize the testing of hypotheses and generation of evidence generally use recurring donor funding to finance these activities and do not face expectations for financial returns. Those that focus on investing reimbursable funds in innovations that grow and scale, in general, do not have a mandate to support the more experimental initiatives that a laboratory does.

6.14 The second phase focused on sustainability and scaling at the project level, finding that the results of most completed projects are deemed likely sustainable, and that about one-quarter have scaled to the expected extent. About two-thirds of completed IDB Lab projects are deemed sustainable, based on information

provided by IDB Lab and EAs, whereas a bit more than one-third have been scaled or replicated to date, albeit only one-quarter to the expected extent. For a significant number of completed projects (17%), there is insufficient information, so far, to know whether they have or have not been scaled or replicated. Scaling with support by IDB or IDB Invest has been relatively rare to date. More generally, the typically early stages during which IDB Lab intervenes and the limited time during which projects are monitored prevent definitive findings on the extent of scaling of IDB Lab projects.

E. Recommendations

6.15 Based on the evaluation findings and conclusions, OVE recommends the following:

To Donors:

1. **Clarify IDB Lab’s mandates, acknowledging trade-offs between them.** OVE recommends that Donors engage in a dialogue with IDB Lab Management to ensure that the current—and potential future—mandates established by Donors lay out clear and achievable objectives for IDB Lab. Where there are trade-offs and incompatibilities in the mandates, redefine the mandates to reduce such incompatibilities or clarify expectations with respect to how IDB Lab should prioritize. Particular attention should be given to what the mandates, such as focusing on poor and vulnerable populations, being a laboratory, and functioning as a knowledge agent, imply for IDB Lab’s risk taking and funding needs.
2. **Seek avenues to further improve the efficiency of the Donors Committee.** Compared with those of its peers, IDB Lab’s governance structure is larger, more resource-intensive, and more involved in approving day-to-day operations. Despite the improvements made in 2018 and 2020, OVE recommends that Donors adopt additional ways to oversee IDB Lab more efficiently and effectively.

To IDB Lab Management:

3. **Further focus, clarify, and communicate IDB Lab’s strategic priorities.** Better define and sharpen the focus of IDB Lab’s strategic priorities to align expectations and build a portfolio suitable for impact and learning. To do so, engage in frank and open exchanges with Donors and with IDB and IDB Invest management and staff. Ensure that IDB Lab’s role within and expected value added to the IDB Group are clarified to take into account the potential not only for synergies and opportunities but also for resource limitations, as well as practical and efficiency

considerations. Ensure that key terms used are clearly defined. Clearly communicate these priorities to IDB Lab staff, the IDB Group, Donors, and other relevant stakeholders.

- 4. Strengthen IDB Lab’s ability to track and report results and to learn from its activities.** Ensure that project results frameworks align with the project objectives outlined in approval documents, including those pertaining to poor and vulnerable populations and cross-cutting issues. Include clear and measurable indicators that make it possible to determine the extent to which objectives are reached, and whether supported solutions fail or succeed. Specify the risks projects face in achieving their goals. Clearly differentiate those project objectives whose achievement can be documented during the duration of IDB Lab’s involvement from any additional expectations for possible indirect or subsequent impacts, on which data will not be collected and the achievement of which cannot be verified. Improve the consistency with which results indicators and other relevant information, such as project cost, are monitored. Enhance IDB Lab’s ability to aggregate and disseminate the information it generates at the project level by strengthening its systems and continuing efforts to create spaces for systematic exchanges among IDB Lab staff and within the IDB Group. Review IDB Lab’s aggregate results assessment and tracking tools with a view to better capturing whether or not supported solutions have succeeded or failed, including indications (such as evidence of follow-on funding, progression to the next innovation stage, or scaling/replication) of the extent to which solutions are likely to expand the results they generate after IDB Lab’s support ends.
- 5. Improve IDB Lab’s ability to better understand how supported solutions evolve after project completion.** Given the early innovation stages at which IDB Lab usually intervenes and the limited time during which IDB Lab typically follows the solutions it supports, little information is available about the extent to which supported solutions continue to grow, are scaled or replicated, and otherwise evolve to generate more widespread impacts. While collecting relevant information after projects have been completed is methodologically challenging and resource intensive, it is nonetheless important if IDB Lab is to gain a better understanding of the extent to which it complies with its mandate to support high-impact innovation through replication and scaling. OVE therefore recommends that IDB Lab develop and implement a plan—specifying methodology and resource requirements—to assess, at appropriate intervals after operations have been completed, how individual supported innovations or groups of such innovations have further evolved, including the extent to which they have scaled up both activities and results. In developing this plan, IDB Lab should build on lessons learned from any prior similar efforts, as well as on relevant peer practices and experiences.

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