



QUARTERLY REPORT

Q3-2022

1 July – 30 September

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EXECUTIVE SUMMARY

As of 30 September, IDB Lab had approved 49 projects for US\$60.1 million. Of the total approved so far, 36 projects (US\$34.7 million) correspond to IDB Lab funds, nine (US\$16.2 million) to core mobilization, and four to projects cofinanced with IDB Lab funds and core mobilization (US\$9.2 million; US\$3.0 million IDB Lab funds). The pipeline currently contains 48 projects totaling US\$40.4 million, with a significant increase in the volume of approvals expected in the fourth quarter. As of 30 September, IDB Lab had obtained financial returns totaling US\$21.45 million, generating US\$5.66 million in financial flows during the third quarter.

The thematic distribution of the projects approved as of 30 September is as follows: financial inclusion (22.4%), education, talent, and employment (38.8%), health (14.3%), agriculture and natural capital (27.1%), and essential infrastructure services (18.8%), as well as projects addressing the crosscutting themes of climate change and environmental sustainability (32.7%) and gender (71.4%) and diversity (36.7%).¹ In terms of the geographic distribution of approvals in 2022, 37% of the approved projects correspond to the Group C and D countries, including 16% for small and island countries. By subregion, 22% of approvals correspond to the Country Department Central America, Mexico, Panama, and the Dominican Republic (CID), 4% to the Country Department Caribbean Group (CCB), 14% to the Country Department Andean Group (CAN), 18% to the Country Department Southern Cone (CSC), and 41% to projects supporting more than one subregion.

Various actions are being carried out to ensure achievement of the institutional goals set for climate change, gender, and geographic distribution, notably the ongoing challenges, [BlueTech for Waste](#), [Digital Tokens for Biodiversity](#), and [Gender and Artificial Intelligence](#) and to hire personnel specializing in climate change.

At the close of the third quarter, IDB Lab's active portfolio has a total of 455 operations (309 nonreimbursable and 146 reimbursable) for US\$644.6 million, while the Social Entrepreneurship Program (SEP) active portfolio has a total of 141 operations (17 nonreimbursable and 124 reimbursable) for an approved amount of US\$71.9 million.

At the close of the third quarter, IDB Lab's liquidity balance is US\$168 million, and the fund balance is US\$202 million, both down from the Q2-2022 figures of US\$183 million and US\$215 million, respectively. These reductions reflect the fact that payments by MIF III donor countries did not reach the expected levels. At the close of the third quarter, 27 countries have made partial or full payments under the MIF III Agreement (70.3% of the total projected amount of US\$309 million). Progress continues to be made with the remaining countries with pending documents or payments.

Regarding future sustainability, in the third quarter the IDB and IDB Invest Boards of Executive Directors resolved to submit the proposed resolution (AB-3331, CII/AB-1640) with the attached document "Future Sustainability of IDB Lab," already approved by the Donors Committee, to the Governors for consideration by the procedure of taking a written vote without calling a meeting (the deadline was extended until 14 October). With this process, the Governors would mandate that IDB Lab develop the financing proposal (titled "Future and Financing of IDB Lab") to be discussed with the members of the Donors Committee in the near future. At the same time, IDB Lab is working very closely with IDB Invest on developing IDB Invest's new value proposition, which highlights IDB Lab as a key element in the continuum between the two institutions.

In its connector and knowledge generator role, IDB Lab continued its efforts to connect the region's ecosystems with others outside the region, specifically with Spain and the Republic of Korea. The quarter's knowledge events and publications notably include what has been done to address the region's housing deficit together with the rest of the IDB Group. Meanwhile, its two ecosystem building initiatives, fAIr LAC and LACChain, continued to advance.

In collaboration with the rest of the IDB Group, IDB Lab continued its work of collective value creation with several initiatives demonstrating the value that IDB Lab can bring to the different areas (in particular, notable progress was made this quarter in initiatives in conjunction with the Social Sector (SCL), Water and Sanitation Division (INE/WSA), Energy Division (INE/ENE), and Climate Change Division (CSD/CCS).

¹ Projects categorized in more than one vertical and/or crosscutting area are counted for all the selected categories. Projects aligned with the crosscutting area of diversity the approvals addressing shortfalls in diversity as defined by IDB Lab.

B

OPERATIONAL AND FINANCIAL PERFORMANCE

			Unit	Target 2022	Current Q3-2022	Q3 - 2021	Status G/Y/R	Notes
OPERATIONAL	PROJECTS	Approved Operations	# projects approved (cumulative)	#	83	49	48	G
		Amount of TC Approved (IDB Lab Account)	\$ amount of TC operations approved (cumulative)	\$mm	29	15.4	19.7	G
		Amount of LON/EQU approved (IDB Lab Account)	\$ amount of LON/EQU operations approved (cumulative)	\$mm	29	22.3	13.9	G
		Core Mobilization	\$ cumulative amount of third-party financing mobilized (managed by IDB Lab)	\$mm	30	22.5	16.9	G
		Catalytic Mobilization	\$ cumulative amount of counterpart and cofinancing mobilized	\$mm	300	387.7	204	G
		Social Entrepreneurship Program (SEP)	\$ cumulative amount of SEP operations approved	\$mm	5	2	3	G
		Prototyping	# approved prototypes (cumulative)	#	19	8	4	Y
		Scale	% of completed projects replicated/scaled by IDB Group or key partners	%	20%	N/A	29%	G 1
	STRATEGIC ALIGNMENT	C&D Countries 2021 (**)	% approved operations in C&D Countries in terms of #	%	45%	37%	55%	G
		S&I Countries 2021 (**)	% approved operations in S&I Countries in terms of #	%	17%	16%	17%	G
		Poverty and Vulnerable	% of approved projects addressing poverty and vulnerable populations	%	60%	57%	60%	G
		Gender Gaps	% of approved projects addressing gender gaps	%	60%	71%	54%	G
		Diversity Gaps (IDB CRF)	% of approved projects addressing diversity gaps (IDB's CRF)	%	20%	18%	14%	G 2
		Diversity Gaps (IDB Lab)	% of approved projects addressing diversity gaps	%	20%	37%	38%	G 3
		Climate Change	% of approved projects addressing climate change	%	40%	33%	22%	G
FINANCIAL	PORTFOLIO	Size of Active TC Portfolio(***)	# TC active operations	#	N/A	309	309	
		Size of LON/EQU Portfolio(***)	# active LON/EQU operations	#	N/A	146	134	
		Disbursed TC Amount of Active Portfolio(**)	\$ disbursed TC amount of active portfolio	\$mm	N/A	97.86	99.6	
		Outs. Amount of LON&EQU(***)	\$ outstanding amount of LON/EQU active operations	\$mm	N/A	240.4	239.1	
		Loan Portfolio Quality	\$ outstanding amount of loan operations past due (>90)	\$mm	0	1.66	1.89	
		Equity Performance	# total value to paid-in multiple of active IDB Lab operations	#	1	1.28	0.93	G
		Size of SEP Portfolio	# active SEP operations	#	210	141	174	G
	LIQUIDITY & BALANCE	Liquidity	\$ cash and investments	\$mm	147.7	168	204.8	G
		Fund Balance	\$ fund balance	\$mm	173.8	215.5	202	G
	DONOR FUNDING	Received Contributions towards MIF III	\$ amount of first payments received	\$mm	103.9	72.9	70.6	R
			\$ amount of second payments received	\$mm	103.9	72.3	68.3	R
			\$ amount of third payments received	\$mm	103.88	72.1	68.1	R
	BUDGET	Administrative Budget Execution	\$ total expensed	\$mm	17.58	12.07	10.8	G
<p>* These numbers include TCs that have contingent recovery feature.</p> <p>** Targets as weighted average of the period 2019-2023.</p> <p>*** Includes third-party resources (core mobilization).</p> <p>1. The scale indicator is expected to be calculated twice a year; adjustments are being made to the data collection instruments to comply with this periodicity. Results for the current year are expected in early 2023.</p> <p>2. IDB's CRF includes disability, LGBTQ, indigenous peoples.</p> <p>3. Expanded definition that comprises more excluded groups.</p>								



PROGRESS ON WORK PROGRAM PRIORITIES

Financing for inclusion through transformative innovations

New projects. In the third quarter of 2022, IDB Lab approved 28 projects for a total of US\$35.2 million. By type of financing, these break down as follows: (i) IDB Lab funds: 20 projects for US\$20.7 million; (ii) core mobilization: four projects for US\$5.4 million; and (iii) four projects cofinanced with IDB Lab funds and core mobilization for US\$9.2 million. Note that many projects contribute to more than one vertical and more than one crosscutting area, so there would appear to be a discrepancy in total projects approved.

Eight projects were approved in the vertical area of **Agriculture and Natural Capital**. These notably include: the project in Guyana to secure the future of mangrove ecosystems by enabling the populations living in the Barima-Mora Passage to use sustainable practices and engage in sustainable, green livelihoods, which also contributes to CCB's *Build Forward* subregional strategy to map out smart, resilient sustainable development pathways for the countries of the Caribbean region; and the regional project designed with CSD's Natural Capital Lab for Argentina, Colombia, Costa Rica, and Peru with the Intrinsic Exchange Group (IEG) that manages a revolutionary class of assets on the New York Stock Exchange, so that the shares of natural asset companies that manage ecosystem services (carbon sequestration, soil fertilization, care of habitats for wild fauna and flora, etc.) are listed on the securities exchange and their capital is used to conserve land and support local communities. Both projects also contribute to the crosscutting area of Climate Change and Environmental Sustainability.

Six projects were approved in the vertical area of **Essential Infrastructure Services**. Two of these stand out: "ReFormar," designed in the context of a conditional credit line being prepared by CSD/HUD to build on other, similar initiatives such as ProMorar Brazil and ProMorar Recife, seeking to structure an innovative market for housing renovation for low-income households in Brazil, while also promoting a microfranchise model for specialized small and medium-sized enterprises (SMEs); and the regional "Toilet Board Coalition" operation, seeking to promote the sanitation economy in Guatemala, Honduras, and Peru by supporting entrepreneurs entering the field with innovative technology-based solutions. This operation is part of the [Source of Innovation](#) initiative, an IDB Group alliance with external partners to promote the adoption of innovative solutions in the water, sanitation, and solid waste sectors.

Seven projects were approved in the vertical area of **Financial Inclusion**, notably the equity investment in Valor Venture Fund IV, which will support the growth of 32 highly innovative, technology-based startups in the financial services sector, as well as in blockchain and cryptocurrency technologies applied to improving access for underserved populations. This project supports IDB Invest's investment portfolio because it invested in Valor I, is analyzing Valor II, and could access co-investment opportunities backed by Valor IV. In line with the IDB Venezuela Roadmap (2021-2023) prepared by the CAN Manager's Office, the "EmprendeTech" project was approved to promote the growing technology-based social impact entrepreneurship ecosystem by strengthening the capabilities of women and youth entrepreneurs, facilitating financing opportunities, and promoting the creation of a comprehensive network of Venezuelan entrepreneurs.

Twelve projects were approved in the vertical area of **Education, Talent, and Employment**, notably the regional "CARIBEquity" operation with financial support from the European Union seeking to consolidate a Caribbean investment ecosystem by deploying investment capital in early-stage and high-growth potential companies in such sectors as the gig economy, creative economy, etc. with a focus on development of digital and social-emotional skills contributing to job creation. In addition, ecosystem actors and their networks will be strengthened, to expand their investments and promote public sector-driven innovation. IDB Lab will forge synergies with the IDB Group at the individual project level in relevant sectors under the program. Another operation seeking to consolidate the continuum with IDB Invest is the direct equity investment for expansion of Talently across Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, and Peru. The operation will support IT developers, with emphasis on female talent, by accessing an upskilling-to-placement platform with top regional and global employers such as Nubank, Rappi, PayPal, and Microsoft.

Three projects were approved in the vertical area of **Health**. One of the applications selected from the Silver Economy Innovation Challenge, launched in collaboration with SCL/SPH, is the project in Argentina for developing a comprehensive model based on a platform that integrates training modules and clinical decision support software targeting frail older adults, their caregivers, and health professionals. Another prototype in Haiti called “DocMobil,” designed with SPH, seeks to develop a solution combining a network of independent health workers and a mobile telehealth platform to provide hospital care, home healthcare, and telemedicine services countrywide.

One project was approved specifically in the crosscutting area of **Gender and Diversity**, but another thirteen also contribute to it, as described above. The “WeCount” regional project financed by the Women Entrepreneurs Financing Initiative (We-Fi) is aligned with the Gender and Diversity Sector Framework Document (GN-2800-8) and seeks to support women-led SMEs in sectors hit hard by COVID-19 in Honduras, Guatemala, and El Salvador by building a coalition of capacity building, market linkage, and financial services actors that leverages an information exchange platform.

Three projects were approved in the crosscutting area of **Climate Change and Environmental Sustainability**, notably the equity investment in Sugo Holding Co., enabling it to expand Sugo Store in Peru, Colombia, Mexico, and Chile in order to create a green solutions ecosystem that generates value through waste management for mass producers of consumer goods, reducing carbon emissions and accelerating their path to zero waste.

New investments and exits of regional venture capital funds with IDB Lab equity. In the third quarter, three venture capital funds invested a total of US\$3 million in ten companies of various types, using resources raised with a group of investors, including IDB Lab. In terms of exits, in August Kushki, the Ecuadoran paytech company, acquired Mexico’s Billpocket, a startup in the Magma III portfolio that facilitates payments at points of sale. Founded in 2012 in Guadalajara, Jalisco, Billpocket was one of the first payment aggregators in Mexico. During the pandemic, it also built a solution that includes remote payment with charging via smart links. Billpocket has served nearly half a million businesses in the last ten years, and currently one out of every eight businesses that accept card payments do so using the Billpocket solution. For a decade now, it has been building partnerships with Mexico’s largest companies such as Telcel, Coca-Cola, Femsa, and Arca Continental, to increase SME access to financial services.

Financial returns on the reimbursable portfolio. As of 30 September, IDB Lab has obtained financial returns totaling US\$21.45 million, generating US\$5.66 million in financial flows during the third quarter (consisting of principal repayments of US\$5.88 million, plus interest income and capital gains of US\$1.66 million). Total third quarter reflows, in addition to principal and interest payments on the loan portfolio, include distributions made by several venture capital funds, including US\$981,000 from Alta Ventures Mexico resulting from the acquisition of Technisys by SoFi, US\$960,000 from Locfund II as part of the orderly liquidation process, and US\$458,000 from Redpoint e.Ventures resulting from exits from invested companies. As part of the dynamic portfolio management strategy, secondary sale opportunities are being explored for certain reimbursable operations. Negotiations concluded during the third quarter on the first transaction of this type, including seven current IDB Lab investments in venture capital funds. In August, the framework agreement was signed with Spectra (the buyer), IDB Lab positions in the seven funds will be transferred, as agreed, toward the end of the current year, and IDB Lab will receive approximately US\$9.8 million.

Investments in venture capital funds. In the third quarter, due diligence was completed on the BuenTrip Ventures Fund II targeting emerging ecosystems, particularly Ecuador, Peru, Paraguay, and Bolivia, as well as Monashees X, a fund with a regionalization strategy and proposals received in the first and second quarters through the [Venture Capital Funds Investment Challenge](#).

Equity for Development Investment Fund. IDB Lab has been working with the Office of Outreach and Partnerships (ORP) to create a multidonor trust fund with the objective of mobilizing resources for investment in high-impact startups with growth potential in the region. IDB Lab will not contribute its own capital but rather will administer the resources of the fund, which will follow the IDB approval process culminating in consideration by the Board of Executive Directors. Discussions are well under way with potential donors Israel, the Nordic Development Fund, and Climate Investment Funds. The Korea Venture Investment Corp (KVIC), Korea’s

sovereign wealth fund, has been confirmed as the first donor participating in the fund. Additionally, the fund will strengthen the continuum with IDB Invest to accelerate the scalability of technology-based startups focused on expanding the frontier of innovative financing products for addressing key development challenges in the region's markets.

Going forward. Three applications under the BlueTech for Waste Challenge to support circular economy models that control chemicals and hazardous waste in the Caribbean are in design. In the Dominican Republic a cutting-edge technology will be implemented to reuse plastic containers for hazardous substances and neutralize the danger of their reuse, prioritizing safe collection methods that support the inclusion of informal recyclers. In Haiti, a technological solution for efficient recycling of electronic and plastic waste and the safe processing of medical waste will retrieve secondary raw materials for creating new products such as plastic and concrete paving stones. In Trinidad and Tobago, a collection model will be instituted for processing used tires in the country's first recycling plant for such purpose, allowing 30,000 tires per month to be shredded for conversion of byproducts for local use and export. In addition, IDB Lab is working on the creation of an Outcomes Hub platform for scaling results-based payments, to promote result-based finance (RBF) in the region. With LACChain and other key partners, the platform will reduce barriers to entry, enabling interested parties to lower costs when implementing RBF by relying on easy-to-use tools such as frameworks, templates, and guides, so that they can experiment with the mechanisms and learn from the ten or so projects in implementation.

Knowledge management and connections

fAIR LAC. This quarter, the first APPS.CO Powered by fAIR LAC program was completed in collaboration with iNNpulsa, Universidad de los Andes, Microsoft, Google, and Amazon Web Services, attracting participation from 11 firms. In addition, two sessions were conducted on responsible technology at Georgetown University. In terms of operational support, artificial intelligence (AI) ethical self-assessments were performed with Yapu, DocMobil, and Tangelo. Lastly, in cooperation with SCL and the fAIR LAC initiative, and with the support of ORP for partnership-building with technology companies such as Accenture, Globant, Microsoft, Oracle, Google for Startups, and others, the [Gender and Artificial Intelligence Challenge](#) was launched in July and received a total of 66 proposals, 24 of which went on to the next and final phase of selection after being evaluated together with IDB Group and external specialists. In terms of knowledge products, work is being done on a digitally focused environmental and social governance (ESG) responsible investment tool in the context of Chile's Ethical Algorithms project, and work has begun on developing an ethical AI index in the region called "fAIR Tech Radar" with Georgetown University and Universidad de los Andes. Lastly, in partnership with LACChain, fAIR LAC is using the platform to issue blockchain-based verifiable credentials for startups and mentors participating in the training programs.

LACChain. In the context of the LACChain partnership, the IDB, BME Group through Iberclear and its social-technological partner, ioBuilders, BBVA, and the legal counsel of Garrigues, completed the [first issue in Spain of a bond listed on a regulated market and registered using blockchain technology](#). In addition, it concluded [the first issue of a bond in Latin America and the Caribbean on the LACChain blockchain network](#) with the IDB Group and Banco Davivienda in Colombia. At the projects level, Argentina's [BUS Federal de Justicia](#) interoperability platform has incorporated the use of LACChain for digital document exchange in six judiciary branches for the evidentiary phase with scale potential for the 24 judiciary branches. As part of training activities, we launched an [introductory course on blockchain within the framework of the Blockchain Training Working Group](#), and participated in nine international events, notably: [ANDICOM](#), [Hyperledger Global Forum](#), [Sustainability Congress](#), [Green Economy and Development Cooperation](#), and APEC Webinar Fintech. In addition, we collaborated on the following challenges: [Digital Tokens for Biodiversity](#), [Estancia GovTech](#), [Blockchain Challenge for Sustainable Energy](#). Lastly, in terms of recognition, the European Telecommunications Standards Institute (ETSI) published a [specification on blockchain interoperability](#) that cites our work on quantum cyber threats to blockchain, a result of the contribution from LACChain/[IDB](#), [Cambridge Quantum](#), and [Monterrey Institute of Technology](#).

Spain-LATAM ScaleUp. IDB Lab and ICEX Invest in Spain received more than 130 applications for the first [ScaleUp Latam program](#) open to IDB Lab investees and startups/scaleups from the IDB Lab network that are interested in establishing a presence in Spain as a gateway to the European market. The challenge was launched with the collaboration of Endeavor. The announcement of the ten innovative technology firms in Latin America and the Caribbean that will participate in the immersion program in Madrid and Barcelona will be made

public in upcoming weeks. Registration was free, but participating firms will be responsible for their travel and accommodation expenses.

Moonshots for Development. In July, IDB Lab organized the second quarterly meeting of the working group consisting of the innovation arms of the principal multilateral development finance institutions. The meeting featured an in-depth presentation on LACChain and use cases. Also discussed were initiatives involving nonfungible tokens (NFTs) and digital tokens and signatures. The next quarterly meeting will be organized by the Asian Development Bank.

PropTech in Latin America and the Caribbean: How technology can help reduce the housing deficit. An exploratory [study](#) was published on new technologies for solving housing challenges among middle- and low-income populations. This study, financed by the Italian Trust Fund for the Preparation of MIF Projects (financed by Italy's Ministry of Economy and Finance), explores how new proptech companies are leveraging the digital transformation to impact the housing market through its value chain, and what trends are being seen in this market. The publication was launched during the [2022 Housing Forum](#) organized by the IDB Group on 29-30 September, where solutions were also presented from other IDB Lab projects in Chile and Brazil.

Korea-LAC. An IDB Lab delegation attended the [Sixth Korea-LAC Business Summit](#) in Seoul, where more than 600 corporate leaders from the Republic of Korea and Latin America and the Caribbean met to address investment and trade opportunities. As part of the meeting, the CEO of IDB Lab moderated a panel titled "Engine for Growth: Fostering Innovation and Startup Ecosystems." The IDB Lab delegation used the occasion to meet with Korea's Ministry of SMEs to advance negotiations on the Equity4Development Fund, in which Korea's sovereign wealth fund KVIC will be one of the anchor investors with up to US\$10 million. The delegation also met with representatives from ministries of Korea, Paraguay, El Salvador, Mexico, and Uruguay and a selection of corporate leaders from Korea and Latin America and the Caribbean interested in closer ties (under the auspices of Born2Global).

New Challenges in the Gastronomy Sector: The Pandemic Crisis and Expansion of Distribution Platforms. This [publication](#) looks at the pandemic's impact on work in key segments of economic activity in urban agglomerations, such as the gastronomy sector and digital ordering and delivery platforms. It captures the experiences and lessons learned from the project "Development of the Collaborative Economy in Cities as Instruments to Promote Social Inclusion, Entrepreneurship, and Innovation," implemented by CIPPEC in Argentina.

Deciphering LatAm VC. Sponsored by IDB Lab and CTI, [Endeavor Chile](#) launched a study that sheds light on how venture capital investors make decisions. The [study](#) compiles information from a survey of more than 100 venture capital fund managers, supplemented with interviews with experts and innovators in the region's venture capital ecosystem. The study was launched along with a [webinar](#) involving IDB Lab, Endeavor Chile, [Foodology Inc.](#), [SVB](#), and [NAZCA](#).

Going forward. Next quarter, IDB Lab will be completing a report on innovation and scaling that reviews recent experiences to make recommendations on how to improve the impact of its actions through scaling efforts. It will also be publishing a retrospective study on the overall impact of the portfolio for the period 2017-2021, diving deep into its impact on key areas such as gender, diversity, climate and natural capital, and thematic verticals like financial inclusion, skills and education, and agriculture and natural capital.

Operational excellence

OVE evaluation of IDB Lab. Implementation continues on IDB Lab's Action Plan to address the OVE evaluation recommendations, with 45% of the planned milestones for 2022 already completed, and 47% in progress (note that the percentages do not add up to 100% because various subactivities are being completed at the same time). The activities addressing Recommendation 3, to further focus, clarify, and communicate strategic priorities, represent the most advanced part of the Action Plan. The part of the plan addressing Recommendation 4, to strengthen IDB Lab's ability to track project results, has achieved the most progress in the area of risk management. Regarding Recommendation 5, to better understand how supported solutions evolve after project completion, an important consultation and analysis phase is expected to be completed in the last quarter of 2022, so a new conceptual framework and processes can be developed on the scaling of projects. For more detail on the activities for 2022, see Annex.

Update of the IDB Lab administrative budget and MSM budget. Third quarter execution is slightly ahead of expenditure performance in the same period last year. The main difference relative to the third quarter of 2021 is the level of execution of nonlabor costs, primarily under the headings of Knowledge Activities, Travel, and Other General Administrative Costs. In 2022, it is projected that the Knowledge Activities heading, which includes development and execution of a new training plan and development of knowledge products and thematic and impact studies, and the Travel heading, which has been increasing as mission travel resumed, will reach 100% execution by the end of the year. The level of execution of Other General Administrative Costs is lower than in the third quarter of 2021, since some strategic contributions and other expenses related to the subscription of operational support platforms will be executed in the fourth quarter. The execution of other funds managed by IDB Lab is in line with planning for the year, although disbursements are projected to be lower than anticipated.

Progress on the Risk Management Framework. After satisfactorily completing implementation of the project risk management guides and tools, the teams with projects in the design phase are validating the risks identified and evaluated with the new tools. Testing was completed for digitalization of the tool in the six-monthly project status update (PSU) and project status report (PSR). At the corporate level, risks that could impact achieving the objectives of the 2022-2023 Business Plan were identified by the different IDB Lab units and have been reviewed by the management group tracking the action plans. The risk appetite for 2022-2023 was also updated as part of this process and will be submitted to the Risks Committee in October.

Progress on going digital. The four deliverables of the Digital Growth Plan are well along. BASECAMP, the repository of IDB Lab documents and processes, has already launched Version 2.0 and a continuous improvement process. Its value for the staff's work is evident in the increased number of users and the time users spend on the site. GENOMA, an AI-powered tool for extracting knowledge from the portfolio, has been deployed in production, but work is being done to improve search results. Work is ongoing on the IDB Lab Web Portal, and an operational prototype is ready. Deployment of DRIVE operational processes and customer relationship management in Salesforce continued with the improvement and redesign of operational management tools. In particular, the reporting cycle for nonreimbursable operations was completed successfully, while the tool for reporting progress on reimbursable operations is in the final user testing phase and set to be rolled out to clients by February 2023. In addition, work continues on data-driven management with improved visualization.

Going forward. Regarding the Future Sustainability of IDB Lab, on 14 September the IDB and IDB Invest Boards of Executive Directors resolved to submit the proposed resolution with the attached document "Future Sustainability of IDB Lab," already approved by the Donors Committee, to the Boards of Governors for consideration by the procedure of taking a written vote without calling a meeting (the deadline was extended from 30 September until 14 October). With this process, the Governors would mandate that IDB Lab develop the financing proposal (titled "Future and Financing of IDB Lab") to be discussed with the members of the Donors Committee in the upcoming weeks. IDB Lab also continues working very closely with IDB Invest on developing IDB Invest's new value proposition (IDB Invest 2.0), given the natural synergies between the two institutions in what they offer to the region's private sector.

Joint value creation with the IDB Group

Social Entrepreneurship Program (SEP). For more than 40 years, the SEP has been creating opportunities and contributing to the social and economic inclusion of low-income people throughout the region. IDB Lab, as SEP administrator since 2007, is responsible for originating, structuring, and supervising the program's operations. IDB Lab is thus working in coordination with VPF on a proposal on how to expand the SEP over the next three years (2023-2025), so as to more actively channel resources to innovative projects that promote economic recovery through entrepreneurship with a focus on benefiting poor and vulnerable populations in the context of the postpandemic recovery and its socioeconomic impact. These additional resources will also give IDB Lab the minimum resources necessary to address critical financing gaps in innovation ecosystems in Latin America and the Caribbean, which otherwise would not be feasible, given IDB Lab's reduced ability to implement projects using its own capital in the period 2023-2025 because not all donor country payments have been forthcoming. Additionally, in that period it would be possible to ensure a possible new round of financing for IDB Lab, if the Donors Committee resolves to extend IDB Lab beyond March 2024.

Silver Economy. Two additional projects were approved this quarter: (i) “Leveraging ICT solutions for Preventive Strategies in Aging Populations” (PN-T1303) financed by the Italian Trust Fund, which will focus on promoting behavioral changes toward an active and healthy lifestyle to prevent cognitive and physical decline in Panama; and (ii) “Integrated Care for Frail Older Adults” in Argentina (AR-T1294), the objective of which is to improve dependent older adults’ quality of life through a Web-based platform that integrates a knowledge base, training, and services. The project has been designed together with SPH, which will provide its own technical cooperation support. Including the eight projects originated by the challenge, IDB Lab has a thematic portfolio of 13 projects approved in the last two years.

BlueTech for Waste. In the context of the “Islands-Caribbean Incubator Facility” led by WSA and created to support the sustainable management of hazardous chemicals and wastes with US\$10 million from the Global Environment Facility (GEF), IDB Lab completed the [BlueTech for Waste Innovation Challenge](#) to support innovative solutions on this issue in the Caribbean region. As a result, three projects preselected together with WSA received eligibility and are being designed (see details in the first section) The official announcement of the selected applications has been postponed until October when eligibility is established for all the selected applications.

Biodiversity. In line with IDB Lab’s commitment to combat the climate crisis, the [Digital Tokens for Biodiversity Challenge](#) was launched in collaboration with the Natural Capital Lab and the Amazon Initiative of CSD and the support of LACChain, to attract innovative solutions that leverage the power of digital tokens as a tool for advancing climate action. The topics covered by the challenge include how digital tokens can contribute to more effective, decentralized, and inclusive mechanisms and promote more effective, participatory, and transparent markets related to biodiversity conservation/regeneration. This challenge closed in August with 86 applications, 26 of which are under evaluation. The COP15 in Canada will be a great opportunity for highlighting this effort, the selected applicants, and the strategic lines of IDB Lab action in this area.

Source of innovation. This [partnership](#) co-led with WSA and KIC was at World Water Week in the Focus on the Americas section organized by the IDB Group together with external partners and included presentations on the proposed partnership and the knowledge products financed by it. In terms of operations, the first project led by IDB Lab to promote the sanitation economy was approved, and a proposed project to test a new mechanism for financing pilots in Brazil together with IDB and IDB Invest was declared eligible. Talks were also held with potential donors, and additional contributions are expected in the short term to expand the interventions. Dissemination and communication work continues to be very important during the quarter with the publication of two [blogposts](#) and two [videos](#).

Corporate Impact Venturing – CIV LAC. The initiative of IDB Lab and IDB Invest in conjunction with Telefónica’s Wayra, seeking to build relationships between corporations and technology startups, concluded the first stage of its ClimaTech challenge with the FitCamp matchmaker event attended by 73 startups and eight corporates. The entrepreneurs came primarily from Colombia, Argentina, Mexico, Peru, Chile, Costa Rica, and Bolivia. This resulted in the preparation of a preliminary list of 52 potential collaborative work pilots, 36 of which are in their final evaluation stage. The corporate partners presented their pilots designed at the Sounding Board activity in October. So far, the corporates have committed US\$2.9 million to support the startups in this phase.

GovTech LATAM. The open innovation [platform](#) to apply digital solutions to municipal challenges, launched together with the Cities Network (HUD), conducted the GovTech bootcamp in July with the participation of 30 startups selected from among over 150 candidates. This quarter, it challenged the startups to address the [challenges identified](#) by the three participating cities (Renca, Guayaquil, and Santo Domingo), resulting in more than 70 applications. In October, the three participating cities will select the startups with which they will pilot digital solutions to address the identified public challenges. In addition, the platform was selected from among the three global level finalist initiatives for the GovTech Awards presented in late October in The Hague.

Synergies with IDB Invest. This month there are two notable IDB Invest transactions that demonstrate the IDB Group’s holistic work with its clients. The first is an IDB Invest investment of US\$10 million in the Valor Opportunity Fund II investment fund, which was coordinated with IDB Lab because Valor Capital has an IDB Lab investment in another of its funds and is an IDB Lab co-investor. The second is an investment of US\$10 million

in the Aqua Capital III fund, building on a prior IDB Lab investment in 2011. In addition, opportunities continue to be shared with the IDB Invest teams. Currently, 28 opportunities have been shared so far this year.

QUARTERLY REPORT

Q3-22
July – September 2022

Annexes

Annex I: Innovation challenges

ANNEX II: Status of action plan on OVE recommendations

ANNEX I: Innovation Challenges

Name	Objective	Geographic scope (beneficiary countries)	Launch date	Closing date	Selected applications	Projects in pipeline
Blue-Tech for Waste	Challenge led by IDB Lab, partnering with the Global Environment Facility (GEF), which will also cofinance the initiative, to support the Caribbean islands in adopting innovative solutions to control the flow of chemical substances, products, and waste in their territories. In collaboration with WSA and CSD.	CCB and some OECS countries	19 April 2022	31 May 2022 (50 applications received)	6 applications BA, DR, HA, JA, TT (2)	6 BA, DR, HA, JA, TT (2)
Digital Tokens for Biodiversity	Regional challenge to identify new solutions that make use of digital tokens to promote biodiversity conservation and facilitate climate action.	Latin America and the Caribbean	6 June 2022	12 August 2022	86 applications received 26 applications under evaluation	
Gender and Artificial Intelligence	Regional challenge led by IDB Lab under the fAIr LAC initiative to promote the ethical and responsible use of artificial intelligence for narrowing the social gaps of gender inequality.	Latin America and the Caribbean	7 July 2022	31 August 2022	66 applications received 24 applications under evaluation	
Responsible Innovation for the Metaverse	Regional exploration challenge that will have two components: (i) identification of creators of immersive solutions for the Metaverse with social impact; and (ii) applied research on adoption ethics and responsibility.	Latin America and the Caribbean	25 October 2022	7 December 2022		

ANNEX II: Status of action plan on OVE recommendations

RECOMMENDATION	STATUS OF MILESTONES 2022	COMMENTS
#3. Further focus, clarify, and communicate IDB Lab's strategic priorities.	COMPLETED 83% IN PROGRESS 17%	Greater clarity on IDB Lab's strategic and thematic focus has been reflected in the Business Plan (MIF/GN-264-2) and in the MIF Future Sustainability document (MIF/GN-252-6). IDB Lab also continues to refine its priorities and vision for the future. An internal exercise has been completed with that purpose, exploring the future vision in greater detail, not only for each thematic vertical where IDB Lab works, but also for its most critical institutional functions: collaboration with the IDB Group, resource mobilization, financing, knowledge and learning management, internal capabilities, and impact measurement. This participatory exercise also provides key input for the strategic document on the Future and Financing of IDB Lab.
#4. Strengthen IDB Lab's ability to track and report results and to learn from its activities.	COMPLETED 14% IN PROGRESS 79% PENDING 7%	To help improve the quality of results measurement, a guide has been prepared for the preparation of project results matrices. Process improvements in the quality control of project results matrices are also being negotiated under the contract with IDB Invest for 2023. Improvements and consistency in measuring results are being supplemented by the incorporation of iDELTA into project supervision systems and a pilot test of iDELTA implementation during project execution (in addition to ex ante). Regarding project risk management, after establishing a new risk framework for IDB Lab, its portfolio, and projects, IDB Lab staff have been trained, and tests have been run, for the incorporation of a risk management module into project supervision systems. A review of the institutional results framework for the IDB Lab portfolio has also begun, with improvements to the current impact measurement architecture.
#5. Improve IDB Lab's ability to better understand how supported solutions evolve after project completion.	IN PROGRESS 67% PENDING 33%	Since IDB Lab's interest in the evolution of the supported solutions after project completion focuses on the ability of projects to foster larger-scale impacts, progress on this recommendation is mainly tied to an in-depth analysis and development of a scalability strategy. Consequently, IDB Lab has sought support from scalability experts to analyze the issue and develop a new conceptual framework and processes to systematize the scale of its projects. The consulting engagement has presented initial findings to the IDB Lab management team, as it continues to refine its deliverables expected by end-2022.