LAGreen Theory of Change

The fund's mission

The fund aims to support positive climate, environmental and societal benefits by promoting Latin America's green bond market. It provides responsible finance and technical assistance in Latin America, typically by investing and fostering green, social, sustainability, or other thematic bonds.

Impact at an environmental and economic level

Through its financial investments and technical assistance, the fund improves general access to financing for green and sustainable projects. It provides much-needed capital to scale the green economy by supporting financial institutions and real economy issuers to issue green bonds¹ and incorporate a sustainability focus.

The fund aims to contribute to two key impact areas:



Support environmental benefits

Contribute to environmental benefits, including climate action and sustainable management of natural resources and land use



Foster sustainable economic development

Contribute to employment generation, promote sustainable business practices, and strengthen circular economies

¹ In this document, green bonds cover green, social, sustainability or other thematic bonds in line with the Fund's investment strategy.

Impact on the green bond market

LAGreen strives to build a more dynamic and diverse green bond market accessible to diverse issuers. It also mobilizes vital capital to finance pivotal environmental and social change initiatives, particularly from private investors.

The fund only invests in thematic bonds that are issued in accordance with the International Capital Market Association's (ICMA) Green Bond Principles or related standards and contribute to international development priorities. Additionally, the fund actively engages with relevant stakeholders, setting benchmarks that increase transparency and strengthen best practices in environmental, social and governance (ESG) investments.

The fund also contributes to developing the wider ecosystem for thematic bond markets, such as raising awareness and training key sector players to enhance impact reporting quality and transparency, while raising the bar of national, regional and international green bond market standards.

Contribution to the SDGs



Through the flexible nature of thematic bonds, the use of proceeds can be harnessed for a variety of green and sustainable projects. LAGreen's activities are expected to contribute to the majority of Sustainable Development Goals (SDGs). In mapping projects financed, the Fund uses international standards and frameworks, such as the ICMA High-Level Mapping to the Sustainable Development Goals². For instance, projects supporting adaptation and mitigation activities are mapped to SDG 13: "Climate Action",

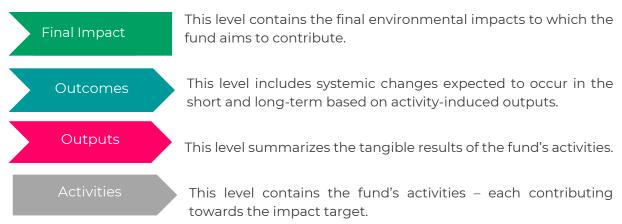
while initiatives supporting job creation and socioeconomic advancement are mapped to SDG 8: "Decent Work and Economic Growth".

² Available at: Mapping to the Sustainable Development Goals » ICMA - International Capital Market Association (icmagroup.org)

The path to impact: Theory of Change

The Theory of Change (ToC) explains how the fund's activities are expected to fulfill its mission as described above. This framework focuses on the "in-between," the mapping of processes that LAGreen's activities aim to trigger and how these ultimately lead to the intended impacts. These processes are interlinked and reinforce each other to drive transformation and systemic change in the market.

LAGreen's ToC considers the following levels:



Based on available evidence, the ToC was constructed through a causal analysis. It frames the fund's impact measurement and management efforts – outlining the fund's impact roadmap. LAGreen's impact assessment verifies assumptions. Elements outlined in the ToC can be, to a large extent, directly under the control of the fund or influenced by both the fund and external factors. This spectrum is indicated in the ToC as an "Area of control", "Area of influence", and "Area of interest". Given the nature of the fund's work and the complex environments in which the fund's investees and stakeholders operate, LAGreen does not attribute the change happening at an outcome and final impact level solely to its contributions. The ToC, therefore, defines how the fund contributes to observed outcomes and final impacts.

³ This distinction is often used in defining ToCs to differentiate between attribution and contribution.

Area of influence

Area of control

LAGreen aims to support positive climate, environmental and societal benefits through the provision of responsible finance predominantly via Green Bonds, targeting Latin America, including by contributing to:

- · Climate action
- · Biodiversity conservation
- · Natural resource conservation
- Pollution prevention and control
- · Sustainable and inclusive economic growth

Scaling the sustainable economy in Latin America by:

- Integrating sustainable practices in business strategies and operations
- Reducing businesses' vulnerability to climate change by facilitating the uptake of adaptation practices
- Supporting decarbonization through continuous implementation of green measures in the real economy
- Strengthening a circular economy and improve sustainable use of (natural) resources

Scaling the (Latin American) Green Bonds market by:

- Substantiating the viability of Green Bonds as a mean to achieve green & social targets
- Increasing capital flows directed towards Green Bonds, particularly from private investors
- · Increasing the volume of Green Bonds issued
- Supporting diversification of the issuer and investor base
- Raising the bar on national and international Green Bonds market standards

Increased proceeds allocation for sustainable/green/social projects:

- Financial institutions allocate proceeds to green/social activities
- Corporates implement green/social projects
- Public institutions invest in sustainable infrastructure
- Bond issuers increasingly strengthen sustainability integration in their operations

Integrate LAGreen strategic priorities in Latin America's green bond market:

- Increase awareness on Green Bonds among stakeholders
- Enhance quality and transparency of impact measurement and report practices among Green Bond issuers
- Increase demand for Green Bonds
- Expand capacity to issue Green Bonds
- Increase liquidity in the secondary market

$Increased\ funding\ for\ issuers\ and\ building\ enabling\ ecosystem\ for\ Green\ Bond\ market\ in\ Latin\ America:$

Fls, corporates and public institutions issue bonds to finance green/social projects in line with the fund's eligibility criteria

LAGreen **builds capacity** of Green Bond issuers in developing high quality Green Bond frameworks and promotes best-practices in reporting and measurement practices LAGreen strengthens relationships among industry players and catalyzes new partnerships for an enabling Green Bonds ecosystem

Integrated approach for systemic impact

Financing

LAGreen invests in a variety of Green Bonds* in primary/ secondary markets

Technical Assistance

LAGreen provides advisory services to issuers and other stakeholders

Market building

LAGreen contributes to dialogue, knowledge sharing and networking with the Green Bond ecosystem

Raising public and private capital

*In line with the Fund's investment guidelines, Green Bonds refer to green, social and sustainability bonds

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