

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

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

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

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”,

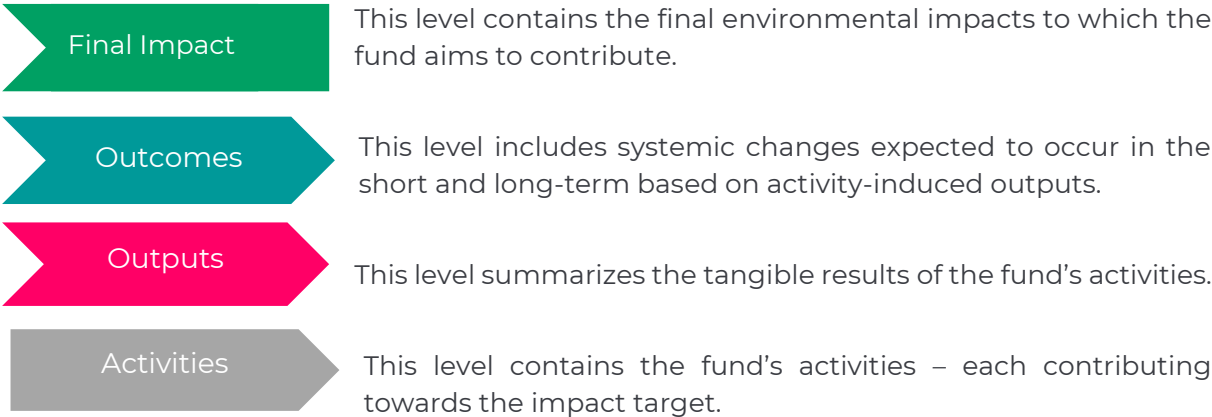
while initiatives supporting job creation and socioeconomic advancement are mapped to SDG 8: “Decent Work and Economic Growth”.

² Available at: [Mapping to the Sustainable Development Goals » ICMA - International Capital Market Association \(icmagroup.org\)](https://www.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"³. 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.



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

Contact

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