2023 GIIN SIGHT
EMERGING TRENDS IN IMPACT INVESTING
ACKNOWLEDGMENTS

AUTHORS
Dean Hand, GIIN Chief Research Officer
Sophia Sunderji, GIIN Research Director
Natalia Maria Pardo, GIIN Research Senior Associate

REVIEWERS
The following members of the GIIN team played an important role in beta-testing the survey instrument and reviewing sections of the report: Amit Bouri, Liz Callahan, Alonso Ortiz Galan, Sean Gilbert, Lissa Glasgo, Garrett Jaso, Naoko Kimura, Ina Lee, Lynda Radosevich, David Richmond, Benjamin Ringel and Kate Walsh.

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ABOUT THE GLOBAL IMPACT INVESTING NETWORK
The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. Impact investments are investments made into companies, organizations and funds with the intention to generate positive, measurable, social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below-market to market-rate, depending upon investors' objectives. The GIIN builds critical infrastructure and supports activities, education and research that help accelerate the development of a coherent impact investing industry. For more information, please visit www.thegiin.org.

HOW TO CITE

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INTRODUCTION

The impact investing industry has evolved significantly and continues to mature in a world that is slowly emerging from the COVID-19 pandemic and is fraught with economic inequities, social tensions and the climate crisis. As stakeholders globally grapple with ever-growing social and environmental challenges, impact investors are rising to meet them – by measuring and managing impact performance, engaging with investees and end stakeholders, exploring mechanisms for impact accountability and using impact data to inform investment decision-making.

The 2023 GIINsight series offers actionable insights on impact investing activity, financial performance, impact measurement and management (IMM) practice and industry trends based on data captured from 308 impact investing organizations across the world. This brief, 2023 GIINsight: Emerging Trends in Impact Investing, highlights the challenges faced by investors, perceived areas of progress in the industry’s development and climate solutions as a current market topic. The brief also provides an analysis of investor subgroups, offering insight into how perceptions vary based on investor characteristics and presents meaningful implications for investors.

To sustain responsible industry growth, enhance market transparency and strengthen investor decision-making, investors are encouraged to explore these actionable insights as they consider implications for their own investing strategies.

KEY MARKET INSIGHTS

1. Impact investors perceive significant industry evolution, though challenges remain in managing impact and navigating regulatory developments

2. Global macro events have influenced impact investing strategies, portfolios and performance

3. Investors plan to allocate capital toward emerging markets in the future, despite the recent focus on developed markets

4. Impact investors are pursuing climate solutions across their portfolios

For details on the methodological approach, caveats and limitations and list of participants, see Volume 1 of the series, 2023 GIINsight: Impact Investor Demographics.
Impact investors perceive significant industry evolution, though challenges remain in managing impact and navigating regulatory developments

The impact investing industry continues to grow in both depth and sophistication, with clear indicators of market development over the past five years. Investors cited the greatest area of progress in the industry as being the availability of “professionals with relevant skillsets,” with 27% indicating significant progress has been made in this area and 86% noting at least some progress (Figure 1). A quarter of investors noted significant progress in “research on market activity, trends, performance and practice.” A fifth indicated significant progress in the “harmonization of impact measurement frameworks,” combined with those reporting “at least some progress” on this indicator of development, 84% of investors believe progress has been made in harmonization, highlighting coalescence around impact measurement frameworks over the past five years. Indeed, over two-thirds of impact investors (76%) use the United Nations Sustainable Development Goals to guide their impact strategy and 78% use IRIS+ for measurement and management. This progress suggests that investors have moved onto new challenges in identifying which impact frameworks to use when, in verifying impact results, and in comparing investments on the basis of impact.

Among a subset of 88 investors that responded to both the 2018 Annual Impact Investor Survey and the 2023 GIINsights, more than double the proportion now perceive significant progress in “professionals with relevant skillsets” (15% in 2017 versus 33% in 2022) – a signal of market progress.

Broader regulatory developments pose a challenge, with 9% of investors indicating that “clear guidance from government regulatory bodies on what is required for an impact investing strategy” has worsened and 28% noting no progress on regulatory guidance at all.

![Figure 1: Perceptions of progress in the impact investing industry over the past five years](source)

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1 See 2023 GIINsight: Impact Measurement & Management Practice [here](#) for further insights on how impact investors have become increasingly sophisticated in their impact measurement and management approaches.

2 Learn more in Vol 3 of the series, 2023 GIINsight: Impact Measurement & Management Practice [here](#).
While 15% of developed market-focused investors perceived significant progress on the “harmonization of impact measurement frameworks,” 25% of emerging market-focused investors felt the same. Interestingly, 22% of private market-focused investors noted significant progress in the “harmonization of impact measurement frameworks” compared to just 11% of public market-focused investors. With strong growth in impact assets allocated into public markets between 2017 and 2022, it is evident that investors are beginning to grapple with how to measure and manage impact outside of private markets.3

As the industry continues to evolve, investors are faced with a new set of challenges – focused on impact data and regulatory developments – that demonstrate industry maturity and sophistication. Investors shared that the greatest challenge to the impact investing industry’s development is the “ability to compare impact results to peers”; 91% of investors indicated that comparison to peers is a challenge to at least some degree and 37% noted that it is a significant challenge (Figure 2). The next most prominent challenge reported by investors is “fragmentation across impact measurement frameworks,” which 36% of investors highlighted as a significant challenge. With a diverse set of frameworks available to guide impact strategy and measure impact, the lack of harmonization across frameworks can make impact comparisons challenging. Nonetheless, on average, impact investors use two tools and/or systems to measure and manage impact, highlighting that different frameworks may serve different purposes.4 And despite the perceived fragmentation, only 26% of investors reported a “lack of clarity on which impact measurement frameworks to use when” as a significant challenge.

FIGURE 2. Challenges to the development of the industry

n = 307

Comparing impact results to peers
Fragmentation across impact measurement frameworks
Verifying impact data received by investees
Lack of clarity on which impact measurement frameworks to use when
Lack of guidance from regulatory bodies on what is required for an impact investing strategy
Integrating impact management and financial management decisions
Finding suitable exit options
Insufficient research on market activity, trends, performance, and practice
Lack of innovative deal/investment vehicle structures to accommodate investors’ needs
Lack of professionals with relevant skillsets

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Emerging Trends in Impact Investing

3 Public debt was the fastest-growing asset class between 2017 and 2022, with a compound annual growth rate (CAGR) of 101%, while public equity grew at a CAGR of 14%. See more on impact investing asset allocations in the 2023 GIINsight: Impact Investing Allocations, Activity & Performance here.

4 Learn more on how impact investors measure and manage their impact in the 2023 GIINsight: Impact Measurement & Management Practice here.
Interestingly, nearly a third of investors (31%) reported that finding “professionals with relevant skillsets” is not a challenge, a marked indication of industry progress as more professionals develop skillsets related to IMM, deal structuring and sectoral knowledge among other relevant impact investing skillsets. Indeed, among a subset of investors who responded to both the 2018 Annual Impact Investor Survey and the 2023 GIINsights, 14% indicated “finding professionals with relevant skillsets” was not a challenge in 2017 compared to 44% of investors who indicated the same in 2022, demonstrating how professionals have evolved alongside market maturation. Similarly, 30% of investors indicated that a “lack of innovative deal/investment vehicle structures to accommodate their needs” is not a challenge. Among repeat respondents, 25% indicated that “innovative deal/investment vehicle structures to accommodate their needs” was a significant challenge in 2017, while only 9% indicated the same in 2022. This suggests that investors are better able to find investment pipelines that suit their needs, which may reflect the evolving diversity of capital sources in impact investing.

Industry development challenges naturally vary by investor type. A far greater proportion of public market-focused investors indicated that a “lack of guidance from regulatory bodies on what is required for an impact investing strategy” is a significant challenge as compared to private market-focused investors (39% versus 20%). This may reflect the nascent stages of pursuing impact in the context of listed markets and the early phases of regulators providing clarity to the market.

The geographic focus of investors also influenced their perceived challenges. While developed market-focused investors highlighted several challenges pertaining to impact data, emerging market-focused investors found integrating together impact and financial decision-making to be a barrier. Nearly seven in ten investors (69%) focused on developed markets reported that “comparing impact results to peers” is a significant challenge yet only 34% of emerging market-focused investors noted the same. While nearly half of developed market-focused investors (48%) cited “verifying impact data received by investees” as a significant challenge, only a quarter of emerging market investors reported this as an obstacle. Meanwhile, nearly half of developed market-focused investors (48%) reported that “integrating impact management and financial management decisions” is not a challenge, compared to 18% of emerging-market investors.

Regulations continue to evolve globally, representing a critical indicator of market maturity. However, investors highlighted uncertainties and inconsistent guidance from regulatory bodies as a challenge in scaling their impact investing strategies. Double the proportion of developed market-focused investors perceived “lack of guidance from regulatory bodies on what is required for an impact investing strategy” as a significant challenge as compared to emerging market-focused investors (41% versus 20%), which may reflect the varied nature of regulatory evolution across geographies. In fact, 42% of investors headquartered in Western, Northern & Southern Europe consider regulatory and/or tax requirements when selecting impact metrics, significantly higher than those based in other geographic regions including Oceania (25% of investors), Southeast Asia (20%) and the U.S. & Canada (13%). Anecdotally, several investors shared that the regulatory requirements on investment managers are especially challenging for small investors who may not have the financial resources to comply with the evolving disclosure and regulatory expectations. Investors also shared that lack of impact data from investees is a challenge given bespoke business models and associated metrics, which regulation may not cover.
IMPLICATIONS FOR INVESTORS

A significant proportion of investors (84%) report at least some progress on harmonization of impact measurement frameworks over the past five years; this is a welcome industry development. Harmonization of frameworks suggests that both seasoned impact investors and those at an earlier stage of implementing impact strategies are perhaps both finding and using commonly understood definitions to describe the impact results across their investments. Readily understood definitions form the basis upon which investors can track progress and make comparisons to a threshold of acceptable impact performance. Even in the face of some fragmentation, investors have become more discerning about which frameworks to use for what purpose – for example, setting overall impact priorities, determining measurement targets, managing impact to intended fruition and reporting on their impact practices and results.

The market is maturing as further evidenced by the availability of professionals with relevant skills for impact investing and evolving IMM practices. Notably, the development of an examinable standard for impact investing analysis is being led by industry partners such as the CFA Society of the United Kingdom, with the GIIN as part of the advisory panel. This market development will likely forge an increasing professionalization and future accreditation of impact investing analyst skills within investing teams.

Unsurprisingly, challenges lie in the more sophisticated areas of managing impact performance. For an investor to understand and assess whether impact results are considered good enough, the ability to compare – to, for example, the relevant cohort of investor peers or a threshold of required performance to address the social or environmental challenge – using a consistent approach is paramount. Impact results assessed in isolation of these vital comparison points risk not being meaningful, even when using standardized frameworks. Contextualized impact data, relative to the change needed to solve the most vexing social and environmental challenges, are a key enabler for investors to adjust their impact strategies throughout the cycle toward the intended impact objective.

Regulation can play a crucial role in enabling improved practices. However, as of 2023, regulatory developments have introduced uncertainties and inconsistencies for impact investors, particularly in Europe where the effects of those developments are widespread.6 These uncertainties are likely to be short-lived as precedent and practice will naturally build clarity over time, particularly if investors are able to demonstrate meaningful impact results using credible performance data.

To address these challenges, investors have several valuable opportunities: to participate in and contribute to initiatives to build performance data at scale, for the industry at large to develop meaningful comparison points using tools such as impact performance benchmarks6 to inform their investment decisions, and to assist in enabling the regulatory environment to normalize and crucially, to inform their investment decisions. Actioning such opportunities can be a vital leadership signal from investors.

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5 For more information on the Sustainable Finance Disclosure Regulation (SFDR), please see the European Commission’s Regulation (EU) 2019/2088 on sustainability-related disclosures here.

6 Visit and contribute data to the GIIN’s impact performance benchmarks available in IRIS+ here.
Global macro events have influenced impact investing strategies, portfolios and performance

The climate crisis, COVID-19 pandemic and growing economic pressures continue to stand out as critical global macro events affecting financial markets and indeed society. Impact investors shared their perceptions on how a variety of macro events have influenced their own impact investing approaches. Investors reported being most significantly affected by the climate crisis (45%) and the COVID-19 pandemic (42%; Figure 3). The economic recession has also influenced impact investors’ strategies, with rising interest rates and inflation pressures significantly affecting impact strategies, as reported by 28% and 22% of investors respectively.

Impact investors perceived their impact investing strategies as being minimally affected by forced displacements and humanitarian crises, with only 2% and 4% of investors respectively noting that these global issues significantly affected their strategies. Similarly, just 5% of investors reported that global convenings such as the Conference of the Parties (COP) and United Nations General Assembly (UNGA), significantly influenced their impact investing strategies.

**FIGURE 3: Extent to which global macro events affected investors’ impact investing strategies**

<table>
<thead>
<tr>
<th>Event</th>
<th>Significantly affected</th>
<th>Somewhat affected</th>
<th>Did not affect</th>
<th>Not sure/not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate crisis</td>
<td>45%</td>
<td>31%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>COVID-19 pandemic</td>
<td>42%</td>
<td>38%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>Rising interest rates</td>
<td>28%</td>
<td>39%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>Inflation pressures</td>
<td>22%</td>
<td>41%</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>Supply chain disruptions</td>
<td>20%</td>
<td>41%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>Food insecurity</td>
<td>17%</td>
<td>29%</td>
<td>39%</td>
<td>15%</td>
</tr>
<tr>
<td>Governmental regulatory changes</td>
<td>14%</td>
<td>38%</td>
<td>36%</td>
<td>12%</td>
</tr>
<tr>
<td>Political instability in your local market</td>
<td>12%</td>
<td>30%</td>
<td>37%</td>
<td>21%</td>
</tr>
<tr>
<td>Natural disasters</td>
<td>11%</td>
<td>34%</td>
<td>38%</td>
<td>18%</td>
</tr>
<tr>
<td>Armed conflict</td>
<td>9%</td>
<td>27%</td>
<td>44%</td>
<td>20%</td>
</tr>
<tr>
<td>Civil unrest</td>
<td>7%</td>
<td>25%</td>
<td>41%</td>
<td>20%</td>
</tr>
<tr>
<td>Global convenings</td>
<td>5%</td>
<td>23%</td>
<td>51%</td>
<td>21%</td>
</tr>
<tr>
<td>Humanitarian crises</td>
<td>4%</td>
<td>24%</td>
<td>50%</td>
<td>22%</td>
</tr>
<tr>
<td>Forced displacement</td>
<td>2%</td>
<td>15%</td>
<td>58%</td>
<td>25%</td>
</tr>
</tbody>
</table>


Global macro events influenced different investors in a variety of ways. While 52% of developed market-focused investors felt the impact of the climate crisis on their strategy, only 27% of emerging market-focused investors indicated the same. On the other hand, a larger proportion of emerging market investors indicated that the COVID-19 pandemic significantly affected their impact investing strategy as compared to developed market investors (50% versus 36%).
Interestingly, 45% of public market-focused investors reported that rising interest rates had significantly affected their impact investing strategy compared to just 24% of their private market-focused counterparts. Moreover, among private market-focused investors, the influence of rising interest rates varied – 45% of private debt-focused investors reported rising interest rates significantly affected their impact investing strategies, while only 15% of private equity-focused investors reported the same. Additionally, among private debt-focused investors, 65% highlighted that the COVID-19 pandemic significantly affected their impact investing strategy, compared to just 33% of private equity-focused investors. This may reflect the nature of debt investment terms, time horizons and capital structures.

Global issues such as political insecurity and armed conflict had a larger influence on emerging market-focused investors’ impact investing strategies than on those of developed market-focused investors. Political insecurity significantly affected the impact investing strategies of 20% of emerging market-focused investors while just 3% of developed market-focused investors reported the same. Similarly, while 12% of emerging market-focused investors were significantly affected by armed conflict, only 6% of developed market-focused investors were significantly affected. This is perhaps unsurprising given ongoing conflicts in countries such as Afghanistan, Burkina Faso, the Democratic Republic of Congo, Ethiopia, Haiti, Somalia, South Sudan, Syria and Yemen among others.7

When assessing the influence of global convenings such as COP and UNGA on investment strategies, a larger proportion of public market-focused investors (11%) reported that global convenings significantly affected their impact investing strategies compared to private market-focused investors (4%). Moreover, 21% of public market-focused investors indicated that government regulatory changes significantly affected their strategy, while only 13% of private market-focused investors indicated the same, perhaps a reflection of the greater obligation for public market investors to account for their activities.

Investors also shared the different ways in which their portfolios were affected. Most commonly, supply chain issues led to rippling effects on impact investing portfolios; 39% reported that macro events resulted in supply chain disruptions, which affected their impact investing portfolios in 2022. Over a third of investors (36%) indicated that macro events shifted their own impact objectives or priorities. Interestingly, 27% of impact investors identified “insufficient capital available to allocate toward impact investing” as an effect of global events, while 15% indicated that more capital was available to allocate to impact investing.

Recent global events also exacerbated challenges at each stage of the investment process, notably during due diligence at the start of an investment cycle and when searching for suitable exit opportunities toward the end. Due diligence is a vital stage of the investment process, enabling impact investors to assess prospective investees from a financial, risk and impact perspective. Twenty-two percent of investors indicated that macro events affected their impact investing portfolio because of difficulties in conducting due diligence, though this varied by investor type. For instance, a third of private debt-focused investors encountered difficulty in conducting due diligence compared to 16% of private equity-focused investors. Likewise, 36% of below-market-rate investors highlighted challenges during due diligence due to macro events, whereas only 19% of market-rate investors experienced the same.

The unpredictability of market conditions driven by global events also made it challenging for impact investors to find suitable investment exit options. The perceived effects of global macro events varied by market focus, with 21% of private market-focused investors indicating difficulties in finding suitable exit options, compared to only 4% of public market-focused investors.

7 According to the International Rescue Committee, nine of the top ten crises the world can’t ignore in 2023 are in emerging markets.
When further assessing challenges by market focus, 26% of private market-focused investors cited difficulties engaging with their investees and/or end stakeholders, while only 11% of public market-focused investors did so, the difference perhaps reflecting the nature of the respective asset class groupings. Among private market-focused investors, 33% of private debt-focused investors faced this challenge compared to 16% of private equity-focused investors.

The ways in which macro events affected impact investments naturally varied by geographic focus. Interestingly, nearly a third of emerging market-focused investors (32%) reported difficulties in conducting due diligence due to macro events compared to 7% of developed market-focused investors (Figure 4). A greater proportion of emerging market-focused investors reported challenges engaging with their investees and/or end stakeholders than developed market investors (28% versus 15%). And a quarter of emerging market investors indicated they were unable to find suitable exit options yet just 15% of developed market investors experienced the same.

Investors also anecdotally shared other issues stemming from global macro events including risk management, currency fluctuation, curtailed investment activity and fundraising challenges.

**FIGURE 4. Ways in which macro events affected impact investing portfolios, by geographic focus**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Developed market-focused investors</th>
<th>Emerging market-focused investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain disruptions</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>Shifting impact objectives or priorities</td>
<td>31%</td>
<td>36%</td>
</tr>
<tr>
<td>Insufficient capital available to allocate toward impact investing</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Challenges in selecting impact investments or funds for capital deployment that meet our criteria</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Challenges engaging with our investees and/or end stakeholders</td>
<td>15%</td>
<td>26%</td>
</tr>
<tr>
<td>Difficulties in measuring and/or managing impact</td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td>More capital available to allocate toward impact investing</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Unable to find suitable exit options</td>
<td>7%</td>
<td>25%</td>
</tr>
<tr>
<td>Difficulties in conducting due diligence</td>
<td>32%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Investors could select multiple options.
Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Emerging Trends in Impact Investing

Impact investors demonstrated strong performance, with 79% indicating that they had outperformed or met their financial performance expectations and 88% indicating the same for their impact performance. Nonetheless, external factors naturally influence the performance of any portfolio. Investors in this sample shared the extent to which these global macro events have influenced financial and impact performance over the past year.

On the financial performance side, 52% of investors across the sample indicated that global macro events have worsened their financial performance in 2022, 32% indicated that performance stayed the same, and just 6% reported that these events have improved their financial performance (Figure 5). Meanwhile, when describing the perceived influence of these same global events on their impact performance, 22% of investors indicated that global macro events have worsened their impact performance, 55% indicated that performance stayed the same, and 10% stated that such events have improved their impact performance. Given the compounding effects of global macro challenges in 2022 – such as the COVID-19 pandemic, Russia’s invasion of Ukraine, inflationary pressures and supply chain issues among others – investors may be factoring this volatility into their financial performance expectations.

**FIGURE 5: Perceived influence of global events on financial and impact performance in 2022**

![Figure 5: Perceived influence of global events on financial and impact performance in 2022](image)

Findings varied across those investors targeting market-rate and below-market-rate returns. A greater proportion of below-market-rate investors indicated that global macro events had worsened their performance (62%) compared to their market-rate peers (48%). Additionally, 41% of below-market-rate investors reported that global events had worsened their impact performance in contrast to only 14% of market-rate investors.

The perceived influence of global macro events on performance also varied by geographic focus; 41% of developed market-focused investors believe that these global macro events have led to a decline in their financial performance. In contrast, a larger proportion of emerging market-focused investors (62%) perceived a negative impact on their financial performance due to these events. Similarly, regarding impact performance, 32% of investors focused on emerging markets report a decline, whereas only 12% of those focused on developed markets have experienced the same effect. These findings highlight the varying degrees of impact and implications of global macro events on the perceived financial and impact performance of investors, depending on their market focus.
IMPLICATIONS FOR INVESTORS

Despite impact investors’ optimism in meeting their performance expectations and financial targets, COVID-19, rising interest rates and an inflationary or recessionary outlook has affected impact investing strategies in 2022. This is unsurprising given the extent of a deepening climate crisis, the economic and supply chain implications of the COVID-19 pandemic, conflicts such as Russia’s invasion of Ukraine and the many long-standing conflicts in emerging markets that inevitably shake confidence in global security. Anecdotally, some respondents shared the challenges of the effects of local conflicts – for instance, in Afghanistan and Myanmar – and the need to weigh these against more macro challenges of, for example, inflation, in terms of the overall impact on their portfolios. Given these external factors at both the local and global macro levels, investors may lower their financial performance expectations – a natural response in a dampened market.

Investors have indicated increases in capital available for impact investing and growth in impact investing activity. Indeed, the promise of impact investing is to invest in solutions informed by a theory of change, especially when circumstances are dire. A significant implication for investors during these times is the fact that their long-term engagement with investee companies can foster a more resilient portfolio better able to weather the storm. To this end, 55% of investors have not seen a change in their impact performance over the past year, and a further 10% see improvements in impact results.

Nevertheless, investors are naturally conservative in their planned impact investing allocations for 2023. Global macro events have reshaped the impact investing landscape by influencing investor priorities, portfolio allocations and performance considerations. Prudent impact investors will remain astutely informed and adaptable, and aligning their strategies with the evolving opportunities arising from these events.
Investors plan to allocate capital toward emerging markets in the future, despite the recent focus on developed markets

A fast-changing macro environment attributable to the climate crisis, COVID-19 pandemic, economic pressures and political uncertainty has shifted impact investors’ prospective allocations to emerging markets. Over the past five years, investors have prioritized investments in developed markets over emerging markets with asset allocations growing the fastest in the U.S. and Canada (at a CAGR of 53%), followed by Western, Northern & Southern Europe (33%) and then East Asia (21%). This recent focus on developed markets may be due to perceptions of volatility and risk in emerging markets.12

Yet, geographic priorities are evolving. Investors plan to increase allocations to emerging market regions over the next five years. When sharing future allocation intentions, the greatest proportion of investors (56%) stated their plans to increase impact assets in sub-Saharan Africa, followed by Latin America & the Caribbean (48% of investors) and Southeast Asia (42%; Figure 6). Interestingly, over the next five years 18% plan to decrease allocations to Eastern Europe, Russia & Central Asia, which may reflect repercussions stemming from Russia’s invasion of Ukraine.

FIGURE 6: Planned allocations over the next five years across geographic regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase</th>
<th>Maintain</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>56%</td>
<td>39%</td>
<td>5%</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean (including Mexico)</td>
<td>48%</td>
<td>47%</td>
<td>5%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>42%</td>
<td>35%</td>
<td>2%</td>
</tr>
<tr>
<td>South Asia</td>
<td>40%</td>
<td>59%</td>
<td>1%</td>
</tr>
<tr>
<td>Western, Northern &amp; Southern Europe</td>
<td>38%</td>
<td>57%</td>
<td>5%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>35%</td>
<td>60%</td>
<td>6%</td>
</tr>
<tr>
<td>East Asia</td>
<td>33%</td>
<td>69%</td>
<td>6%</td>
</tr>
<tr>
<td>U.S. &amp; Canada</td>
<td>32%</td>
<td>66%</td>
<td>2%</td>
</tr>
<tr>
<td>Oceania</td>
<td>26%</td>
<td>70%</td>
<td>4%</td>
</tr>
<tr>
<td>Eastern Europe, Russia &amp; Central Asia</td>
<td>23%</td>
<td>59%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note: This figure presents the share of investors that intend to increase, maintain and decrease allocations to each region. Those who indicated “not sure/not applicable” were not included.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Emerging Trends in Impact Investing

Perhaps unsurprisingly, investors that target risk-adjusted market-rate returns have plans to increase their impact asset allocation in developed markets over the next five years. Over a third of market-rate investors (35%) seek to increase allocations to East Asia, while only a quarter of below-market-rate investors intend on allocating assets to the region. On the other hand, below-market-rate investors indicate a greater propensity towards deprioritizing developed markets, with 11% of below-market-rate investors seeking to decrease allocations to Western, Northern & Southern Europe compared to 4% of market rate-focused investors.

12 Growth rates are based on longitudinal analysis between 88 repeat respondents to the 2018 Annual Impact Investor Survey and the 2023 GIINsights series. Explore more on impact investors’ asset allocations here.
Sixty-two percent of direct investors plan to increase allocations to sub-Saharan Africa and 53% to Latin America & Caribbean, but only 48% and 27% of indirect investors are intent on doing the same in those respective regions. Furthermore, 30% of indirect investors plan to decrease allocations to Eastern Europe, Russia & Central Asia while only 15% of direct investors intend to do so.

Investors shared their future allocation plans across different sectors (Figure 7). In 2022, 61% of investors allocated some of their assets under management (AUM) to food & agriculture, while 55% of investors in the sample allocated capital towards energy. Notably, energy attracted the largest portion of AUM across various sectors, accounting for 17%. Looking ahead, unsurprisingly, 69% of investors intend to increase their capital allocations to energy over the next five years; 60% plan to do the same for food & agriculture allocations, and 59% for infrastructure.

**FIGURE 7: Planned allocations over the next five years across sectors**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Increase</th>
<th>Maintain</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>69%</td>
<td>29%</td>
<td>2%</td>
</tr>
<tr>
<td>Food &amp; agriculture</td>
<td>60%</td>
<td>37%</td>
<td>2%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>59%</td>
<td>37%</td>
<td>3%</td>
</tr>
<tr>
<td>Water, sanitation &amp; hygiene</td>
<td>56%</td>
<td>42%</td>
<td>2%</td>
</tr>
<tr>
<td>Forestry &amp; timber</td>
<td>53%</td>
<td>44%</td>
<td>3%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>48%</td>
<td>48%</td>
<td>4%</td>
</tr>
<tr>
<td>Housing</td>
<td>48%</td>
<td>47%</td>
<td>5%</td>
</tr>
<tr>
<td>Information &amp; communication technologies</td>
<td>45%</td>
<td>53%</td>
<td>2%</td>
</tr>
<tr>
<td>Education</td>
<td>44%</td>
<td>54%</td>
<td>3%</td>
</tr>
<tr>
<td>Financial services (excl. microfinance)</td>
<td>41%</td>
<td>50%</td>
<td>8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36%</td>
<td>63%</td>
<td>2%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>33%</td>
<td>52%</td>
<td>13%</td>
</tr>
<tr>
<td>Arts &amp; culture</td>
<td>18%</td>
<td>62%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>47%</td>
<td>50%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Note: This figure presents the share of investors that intend to increase, maintain and decrease allocations to each sector.

Future sector allocations vary based on the type of investors. Among direct investors, 73% plan to increase their allocation to energy, while only 50% of indirect investors have a similar intention. Likewise, a greater proportion of direct investors (62%) plan to allocate assets to food & agriculture over the next five years compared to indirect investors (53%). Interestingly, 15% of indirect investors plan to decrease investments in financial services, whereas only 7% of direct investors are looking to do so. Nearly double the proportion of direct investors intend to increase their allocations to forestry & timber over the next five years as compared to indirect investors (61% versus 33%), which may be an indicator of sector growth.

13 See more on impact investing allocations in the 2023 GIINsight: Impact Investing Allocations, Activity & Performance [here](https://example.com).
Comparing investors by geographic focus, a slightly greater proportion of developed market-focused investors plan to allocate future impact assets to energy as compared to emerging market-focused investors (74% versus 63%). Similarly, 66% of emerging market-focused investors intend to increase asset allocations to food & agriculture, while only 53% of developed-market investors share this intention. Water, sanitation & hygiene is also a priority for emerging-market investors; with 71% of investors seeking to increase allocations to this sector, compared to 41% of developed-market investors – perhaps reflecting the distinct needs of investors focused on different geographies. Interestingly, information & communications technologies is one of the fastest growing sectors globally; consequently, investors intend to increase allocations to the sector, especially in emerging markets where 56% of investors plan to increase allocations to information & communications technologies.

**IMPLICATIONS FOR INVESTORS**

In 2022, the greatest proportion of impact assets were allocated to the U.S. & Canada (29%) followed by Western, Northern & Southern Europe (23%).

However, the need to focus on emerging markets is crucial now more so than ever and investors’ future allocation plans toward emerging markets seem to reflect this need.

Below-market-rate investors and development finance institutions play a vital role in demonstrating to commercially oriented capital allocators – those investors that must achieve market-rate returns – what is possible in terms of investible opportunities. Similarly, opportunities in emerging markets, where necessity often drives innovation, may be particularly attractive to early-stage equity investors. Risk-tolerant and early-stage investors can catalyze risk-averse and later-stage investors and build an investment pipeline in emerging markets. Investors already find the energy, food & agriculture, education and housing sectors especially attractive, as reflected by their past and future capital allocation plans. It is opportune that these sectors inevitably meet the basic needs of people in emerging markets.

Directing allocations towards emerging markets is critical in the face of global macro events such as the COVID-19 pandemic as well as continuing, worsening inequality – issues that leave people in certain parts of the world particularly vulnerable. A well-informed and strategic approach relative to the risk and return profile of each investor type can help investors capitalize on the opportunities despite the inherent challenges of investing in emerging markets.

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14 Past capital allocations to developed markets is highlighted in Volume 2 of the series, *2023 GIInsight: Impact Investing Allocations, Activity & Performance*.

15 See the International Monetary Fund (IMF) publication “Revisiting COVID Scarring in Emerging Markets” here.
Impact investors are pursuing climate solutions across their portfolios

Impact investors included in this sample seek to generate a measurable positive social and/or environmental impact alongside a financial return while using their capital, terms and engagement mechanisms to influence results. Unsurprisingly, then, as the climate crisis looms ever larger, investors are increasingly making impact investments with a climate focus, not only incorporating climate considerations in general – such as climate risk analysis, management and disclosure – but also specifically seeking climate solutions across their impact portfolios. The vast majority of investors in this sample (82%) target positive impact for climate change mitigation and/or climate adaptation and resilience. Specifically, 71% of investors focus on climate change mitigation and 62% focus on climate adaptation and resilience. Fifty-one percent target both climate change mitigation as well as climate adaptation and resilience.\(^{16}\)

For a growing share of investors, climate is viewed as a strategy that can be applied across nearly all impact themes and sectors. Among those investing in climate change mitigation and/or adaptation and resilience, most (79%) invest in the energy sector, followed by 70% in agriculture and land use, and 57% in waste management. Additionally, 36% of investors invest into the built environment, 47% in transport, 38% in industrial processes and 32% in climate-related professional services. Anecdotally, investors shared they also invest in biodiversity, forestry and oceans.\(^{17}\) Interestingly, a greater proportion of private equity-focused investors (62%) invest in waste management systems than private debt-focused investors (39%). On the other hand, 82% of private debt-focused investors invest in agriculture and land use, while 66% of private equity investors do so.

As investors continue to explore innovative climate solutions across sectors, climate technology is emerging as a nascent, but fast-growing field, with USD 30.8 billion allocated to climate-focused start-ups in 2021.\(^{18}\) Impact investors who invest in climate solutions are exploring a range of investment opportunities from nature-based strategies to climate technology. When looking at just those investing into technology-based solutions, investors primarily allocate capital toward technologies in clean energy generation (72%) – which includes solar, nuclear, waste, wind, ocean and hydro, and thermal – followed by food systems (64%), encompassing indoor farming, alternative farming methods, agriculture biotechnology, cultured meat, alternative protein and robotics (Figure 8).\(^{19}\) In addition to clean energy and food systems, over half of impact investors (56%) allocate assets to the built environment (e.g., heating or cooling, energy efficiency, construction technology and water), while 52% invest into land use technologies (e.g., climate and earth data, land management, fertilizer alternatives and forest carbon technology).

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\(^{16}\) The remainder of this section pertains to the subset of investors who pursue climate solutions.

\(^{17}\) While investors indicated they allocate to each of these climate-relevant sectors, they did not share proportion of assets under management allocated to each sector.

\(^{18}\) Learn more about the climate-technology sector through PitchBook’s landscape mapping [here](https://www.pitchbook.com). Based on the Glasgow Financial Alliance for Net Zero (GFANZ) framework, climate solutions refer to strategies encouraging the expansion of low-emitting technologies and services, including nature-based solutions, to replace high-emitting technologies or services, remove greenhouse gases from the atmosphere or otherwise accelerate the net-zero transition in a just manner. Learn more [here](https://www.gfanz.org).

\(^{19}\) The technology categories used in this survey align to PitchBook’s Emerging Tech research [here](https://www.pitchbook.com). See more on the technologies that fit into each category in Appendix 1.
A greater proportion of developed market-focused investors invest in clean industry technologies (e.g., lithium battery recycling, fuel alternatives, chemicals, mining technology, manufacturing) than emerging market-focused investors (62% versus 24%). Similarly, 75% of public market-focused investors invest in clean industry technologies while only 40% of private market investors do.

When assessing the impact of a climate solutions-focused investment or fund, 64% of investors consider the forecasted potential for future avoided emissions and 40% of investors use analyses of past and present greenhouse gas (GHG) emissions. Additionally, 25% of impact investors rely on a credible climate taxonomy (e.g., EU taxonomy) to identify solutions and 25% use economic and transition scenarios in their investment processes to identify opportunities compatible with a 2050 Net Zero pathway.

A greater proportion of public market-focused investors use economic and transition scenarios than private market-focused investors (46% versus 19%). Similarly, 63% of public market-focused investors assess past and present GHG emissions compared to just 34% of private market-focused investors. While 40% of private equity-focused investors assess GHG emissions, only 21% of private debt-focused investors do the same. Interestingly, only 43% of investors who target climate change mitigation assess the impact of their climate investments based on analysis of past and present GHG emissions and 66% who target climate change mitigation assess based on forecasted potential for future avoided emissions.
IMPLICATIONS FOR INVESTORS

As the climate crisis deepens, it is promising to see impact investors applying climate as a strategy – an overarching outcomes orientation to all investment choices across their portfolio. It is clear that there are opportunities to pursue impact focused on climate solutions in public and private markets across a range of sectors. Specifically in the energy and food & agriculture sectors, investors are finding impact investment opportunities that address the underlying climate change mitigation and/or adaptation and resilience challenges. This approach not only contributes to addressing climate change but also aligns with evolving market trends and consumer preferences. Furthermore, this demonstrates the range of climate opportunities that materialize to respond to a crisis.

However, when assessing whether climate investments or funds fit into their climate solutions portfolio, 36% of investors do not consider forecasted potential for future avoided emissions and 60% do not assess based on past and present GHG emissions. Use of impact data to select and manage investments toward intended impact results is critical. This lack of GHG emissions assessment may reflect challenges in the industry tools available to assess the impact of climate solutions.

For investors, this opportunity mindset ensures that their contribution – their capital, engagement approaches and terms of their investment – can play a vital role in finding solutions to the implications of climate change. A solutions orientation on the part of investors is an important enabler of a transition to a net-zero, climate-resilient world in the coming years. The opportunity for investors lies in strong use of evidence-based measurement tools to ensure that their solutions meaningfully drive toward their intended outcomes.
APPENDIX 1: DEFINITIONS

GENERAL

**Impact investments:** Investments with the intention to generate positive, measurable social and environmental impact alongside a financial return, and specifically use that investment capital along with engagement or investment terms to positively influence targeted impact results.

**Investee:** The recipient of investment capital, often though not always a company, project, or real asset.

ASSET CLASSES

**Deposits & cash equivalents:** Cash management strategies that incorporate intent toward positive impact.

**Private debt:** Bonds or loans placed with a select group of investors rather than being syndicated broadly.

**Publicly traded debt:** Publicly traded bonds or loans.

**Equity-like debt:** An instrument between debt and equity, such as mezzanine capital or deeply subordinated debt. Often a debt instrument with potential profit participation, such as convertible debt, warrant, royalty or debt with an equity kicker.

**Private equity:** A private investment into a company or fund in the form of an equity stake (not publicly traded stock).

**Public equity:** Publicly traded stocks or shares, also described as listed equities.

**Real assets:** An investment of physical or tangible assets as opposed to financial capital, such as real estate or commodities.

STAGES OF BUSINESS

**Seed/Start-up:** Business idea exists, but little has been established operationally; pre-revenues.

**Venture:** Operations are established, and company may or may not be generating revenues, but does not yet have positive EBITDA.

**Growth:** Company has positive EBITDA and is growing.

**Mature:** Company has stabilized at scale and is operating profitably.
INVESTOR SUBGROUPS

**Developed market-focused investors:** Respondents that allocate ≥ 75% of their impact assets under management (AUM) to developed markets.

**Emerging market-focused investors:** Respondents that allocate ≥ 75% of their impact AUM to emerging markets.

**Private equity-focused investors:** Respondents that allocate ≥ 75% of their impact AUM to private equity.

**Private debt-focused investors:** Respondents that allocate ≥ 75% of their impact AUM to private debt.

**Private market-focused investors:** Respondents that allocate ≥ 75% of their impact AUM to private equity and/or private debt.

**Public market-focused investors:** Respondents that allocate ≥ 75% of their impact AUM to public equity and/or public debt.

**Direct investors:** Respondents that allocate ≥ 75% of their impact AUM directly to companies and/or projects.

**Indirect investors:** Respondents that allocate ≥ 75% of their impact AUM indirectly via investment managers or intermediaries.

**Market-rate investors:** Respondents that principally target risk-adjusted, market-rate returns.

**Below-market-rate investors:** Respondents that principally target below-market-rate returns, some closer to market-rate and some closer to capital preservation.

**Small investors:** Respondents with total impact investment AUM ≤ USD 100 million.

**Medium investors:** Respondents with total impact investment AUM > USD 100 million and ≤ USD 500 million.

**Large investors:** Respondents with total impact investment AUM > USD 500 million.

**Impact-only investors:** Respondents that allocate 100% of their AUM to impact investing.

**Impact and impact-agnostic investors:** Respondents that allocate at least some of their AUM to conventional investments.
CLIMATE TECHNOLOGIES

Investors reported on the technologies they invest into within climate solutions, based on the PitchBook Emerging Tech categories as follows:

**Built environment:** Heating/cooling, energy efficiency, construction tech, water technologies

**Carbon tech:** Carbon fintech & consumer, carbon capture & storage, carbon sequestration, carbon accounting, carbon utilization, analytics

**Clean energy generation:** Solar, nuclear, waste, wind, ocean & hydro, thermal

**Clean industry tech:** Lithium battery recycling, fuel alternatives, chemicals, mining tech, manufacturing

**Electric Transportation:** Aviation, road consumer, road industry, maritime, EV infrastructure, EV battery tech

**Food systems:** Alternative protein, indoor farming, alternative farming methods, ag biotech, cultured meat, robotics

**Grid tech:** Energy storage, grid management, analytics, battery technology, hydrogen

**Land use:** Climate/earth data, land management, fertilizer alternatives, forest carbon tech

**Mobility solutions:** Shared mobility, autonomous, smart infrastructure, green hydrogen, micromobility
APPENDIX 2: REFERENCES


International Rescue Committee. (2022) *The top ten crises the world can’t ignore in 2023*. International Rescue Committee.


About The GIIN

The Global Impact Investing Network ("GIIN") is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing through research, education and other activities. Readers should be aware that the GIIN has and will continue to have relationships with many organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support.

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