

## More impact investments to emerging markets needed to address the climate crisis and create good jobs

[A major report](#) released last December by the [Canada Forum for Impact Investment and Development \(CAFIID\)](#) shows significant growth in impact investing in emerging markets over the past two years. However, there is a need for even greater flows of responsible and impact investment capital to emerging markets to address the growing climate crisis and grow sustainable employment opportunities for the billions of people affected by the dual climate and COVID crises.

Impact investments are investments that seek a financial as well as a measurable social or environmental return and are critical to achieving the United Nations Sustainable Development Goals (SDGs) in key sectors such as agriculture and clean energy. CAFIID is an umbrella organization that seeks to grow Canadian impact investing in emerging markets. Responsible investments have boomed in recent years both here in Canada and abroad. [CAFIID's 2021 Report](#) confirms a positive trend for Canadian impact investors with a 70 percent increase since 2019 in assets under management to \$3.5 billion. Latin America and the Caribbean, and Sub-Saharan Africa, remain the top regions for Canadian impact investments, while agriculture and financial services are still the top two sectors for investment along with green growth.

The [report](#) highlights some of the areas in which Canada is leading the way. We are a world leader in gender-lens investing, which is investing that focuses on women as owners, clients and/or employees of the businesses receiving investment. 75 percent of investors surveyed factor gender considerations into their investment decisions. FinDev Canada has become a leader in advancing gender-lens investing and has worked with others to mobilize over \$10 billion for investments in women-empowering businesses since 2018.

Public and philanthropic capital can be deployed to reduce risk in investments, making them more attractive to institutional investors. It can also help strengthen companies and make them more investment ready to improve the pipeline of investable opportunities. While we see significant engagement in the use of these mechanisms amongst survey respondents, there is more to do. Canada can learn from other jurisdictions that have effectively de-risked investments to encourage the participation of a wider array of organizations, particularly institutional investors.

Transparency and standardization in impact measurement, management and reporting are critical to the growth of impact investing and we are delighted that this report follows the announcement of the establishment of the International Sustainability Standards Board in Montreal. This Board will deliver a comprehensive global baseline of sustainability-related disclosure standards. This will be a helpful development as over half of respondents surveyed for the report continue to use customized metrics.

This foundational report marks a crucial step forward for CAFIID and for the impact investing sector in Canada. We are excited that our domestic counterpart, the Table for Impact Investment Practitioners (TIIP), released a similar report earlier last year. Notwithstanding, we know this burgeoning sector has further to go to grow its ecosystem and we look forward to working with TIIP and other Canadian organizations on a reignited National Advisory Board on Impact Investing to address underlying

challenges in the sector. We hope that by increasing the demand for impactful opportunities amongst investors and the supply of investable transactions we can make a significant difference in the volume and value of investment dollars to emerging markets and developing countries.

We also recognize the pandemic has hampered progress towards the SDGs and there is an increasing need for economies to grow in a way that achieves climate smart goals. The funding required to achieve the SDGs was \$2.5 Trillion before the pandemic. It is with a sense of urgency that we encourage other would-be impact investors to join us on this journey by putting 'people and planet' first.

Lindsay Wallace and Paul Lamontagne  
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