Event Summary: **May 2025**

Mobilising Capital for Impact: Bridging the Gap with Financial Innovation

Impact investing dialogue in Tokyo

On 9 May 2025, a high-level event convened in Tokyo brought together public and private sector leaders to explore the role of catalytic capital in mobilizing private finance for sustainable development. Co-hosted by the SDG Impact Finance Initiative (SIFI), the Embassy of Switzerland in Japan, the Japan Impact-driven Finance Initiative (IDFI), and the Japan International Cooperation Agency (JICA), the discussion centered on the role of catalytic capital in mobilizing private finance for sustainable development and the role of impact investing in emerging and frontier markets as a potential growth driver for Japanese capital allocators.

Speakers included H.E. Mr. Roger Dubach (Ambassador of Switzerland to Japan), Mr. Hitoshi Hirata (Vice President, JICA), Ms. Yuka Ogasawara (Deputy Secretary-General, Japan Impact-driven Finance Initiative), Mr. Guillaume Bonnel (CEO, SDG Impact Finance Initiative), and Mr. Gautier Queru (Managing Director, Mirova). Discussions spanned the global rise of impact investing, the evolution of Japan's domestic ecosystem, innovative blended finance models, and the strategic role of public-private collaboration in emerging markets. The event concluded with a panel discussion and networking session.

Key Insights

The Growing Momentum of Impact Investing

Global assets under management in impact investments have crossed $1.6 trillion, growing at a compound annual growth rate of 14% between 2019 and 2024. This growth reflects the rising expectations of investors, policymakers, and consumers to generate measurable positive impact alongside returns. While the SDG funding gaps remain substantial, the investment opportunities are equally significant. The sustained growth of impact investing requires improved policy frameworks, incentive structures and collaborative platforms.

The State of Impact Investing in Japan

Speakers provided a snapshot of Japan's rapidly growing impact investing ecosystem. Between 2021 and 2024, assets under management grew nearly 13-fold, reaching USD 73 billion. This growth is due to both government initiatives and private sector demand, reflecting a broad-based interest in impact investing in Japan. Commercial banks remain dominant players, with debt and public equity as the primary vehicles. The IDFI has been instrumental in promoting impact measurement and management (IMM) practices and expanding participation across institutions.

A significant focus was placed on JICA's expanding role in mobilizing private capital, including its deployment of new financial instruments such as bond investments, portfolio guarantees, and sustainability-linked finance under its Private Sector Investment Finance (PSIF) arm. These developments, made possible by the recent amendment of the JICA Act, reflect a broader strategy to crowd in institutional capital, mitigate perceived risks, and enhance local capital market development across developing regions.

Catalyzing Capital Through Public-Private Partnerships: A key takeaway from the discussion was the strategic role that well-structured platforms can play in scaling impact investment through blended finance. The SDG Impact Finance Initiative (SIFI) emerged as a notable example—a public-private partnership backed by the Swiss government, the UBS Optimus Foundation, the Ministry of Finance of Luxembourg, the Ursimone Wietlisbach Foundation, and KOICA. It was noted that significant opportunities remain untapped in emerging and frontier markets, and that platforms like SIFI can help unlock them by addressing liquidity constraints and perceived risk. Recent initiatives include a call for proposals targeting SDGs 3 (Health), 4 (Education), and 5 (Gender Equality) in Southeast Asia.

During the interactive discussion, the several insights were explored:

- Risk as a Barrier—and the Need to Address Perception: One recurring theme was the role of risk in shaping investor behavior. Participants noted that beyond actual risk factors, perceived risk—often driven by information gaps and limited local track records—can be an even greater deterrent. Tools like first-loss capital are often undervalued by credit rating agencies. The key is using the right instruments and methodologies to structure funds that reduce perceived risk and align with investor expectations.
- When Is It a Blended Finance Opportunity? Blended finance is most effective when investments are backed by a strong client base and robust fundamentals. Replicable, straightforward structures—such as those modeled on infrastructure funds—enhance scalability and investor appeal. A committed anchor investor further strengthens the proposition by providing early confidence and signaling quality. Mirova's Sustainable Land Fund II was cited as a compelling example: by structuring its nature-based solutions fund similarly to infrastructure vehicles and securing SIFI as an anchor investor, Mirova was able to attract significant private capital—demonstrating how design simplicity and replicability can be key enablers of blended finance.
- The Role of Corporates and Risk Tolerance: Corporates were identified as important actors in the impact investing landscape. Notably, some can engage meaningfully without requiring de-risking from public or philanthropic capital, especially if they see alignment with core business objectives or supply chain stability.
- Japanese Investors' Unique Position: A number of participants highlighted that Japanese investors are uniquely positioned to contribute to emerging markets due to longstanding commercial relationships. These networks can be leveraged to bridge gaps between capital and local needs—effectively "connecting the dots.
- Looking Ahead - The SDGs Beyond 2030: While the Sustainable Development Goals (SDGs) are officially set through 2030, there was general agreement that sustainability objectives will continue to guide investment and policy well beyond this deadline. Current trajectories indicate that targets are unlikely to be met without significant capital mobilization, reinforcing the importance of continued innovation in finance.

At the heart of the SDG Impact Finance Initiative (SIFI) is our commitment to advocate for essential action points, such as those highlighted during our recent panel discussion on scaling up impact investing in developing markets. SIFI is dedicated to not only pioneering the innovation of new financial vehicles and scaling up impact funds, but also to assembling a solution-driven coalition of institutions and market participants.

Our goal is to establish the necessary framework conditions that foster a thriving ecosystem around impact investing. By aligning our efforts, we aim to propel investments towards the Sustainable Development Goals (SDGs) in developing markets at the required scale, ensuring meaningful and sustainable impact. To learn more about our activities and how we are driving change in impact investing, follow us on [LinkedIn](#).