

Mobilising Capital for Impact: Tackling Liquidity Constraints in Emerging Market Investments

Outcome publication from the Roundtable Event “**Mobilising Capital for Impact: Tackling Liquidity Constraints in Emerging Market Investments**”, organised by the LSFI and the LSFI Impact Investing Advisory Board (IIAB), held on 27 November 2025.

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Disclaimer

The insights shared in this outcomes publication aim to provide expertise for financial professionals to understand impact investing. However, this publication is not intended to be comprehensive or to be used as financial or business advice by the reader.

The outcomes publication has been produced by the LSFI and the LSFI Impact Investing Advisory Board (IIAB) for information purposes only.



Introduction

The roundtable ***Mobilising Capital for Impact: Tackling Liquidity Constraints in Emerging Market Investments***, organised by the Luxembourg Sustainable Finance Initiative (LSFI) and the LSFI Impact Investing Advisory Board (IIAB), focused on one of the main structural challenges limiting the scale of impact investing: insufficient liquidity in emerging markets and developing economies. Persistent barriers such as limited exit options, underdeveloped secondary markets, and fragmented market infrastructure continue to constrain capital mobilisation

The roundtable event convened investors, public institutions, policymakers, and regulators to explore practical solutions and identify actionable levers to strengthen liquidity across impact investment markets.

Event Structure

The event was structured around a presentation of the report *“From Promise to Performance: Reforming Blended Finance for Impact at Scale”*, followed by a panel discussion and a series of roundtables designed to share best practices and foster peer exchange. The event agenda is outlined below.

- **9:00-9:30** – Registration and network coffee
- **9:30-9:35** – Opening Remarks by Lennart Duschinger, Head of Sustainable Finance at the Luxembourg Ministry of Finance
- **9:35-9:40** – Introduction to the IIAB by Gunter Fischer, Principal Advisor, EIB Institute & IIAB Chair
- **9:40-10:00** – Presentation of the study *“From Promise to Performance: Reforming Blended Finance for Impact at Scale”*, by Guillaume Bonnel, CEO, SDG Impact Finance Initiative (SIFI) & IIAB Member
- **10:00-10:40** – Panel discussion with Ashenafi Alemu, Co-Founder and Managing Partner, Zoscales Partners, Arnaud Gillin, Co-founding Partner INNPACT, Co-founder & Managing Director, Octobre & IIAB member and Shaneera Rasque, Head of Regulatory Projects and Sustainable Finance, CSSF, moderated by Nicoletta Centofanti, CEO LSFI
- **10:40-11:15** – Roundtables’ discussions involving the audience
- **11:15-11:45** – Presentation of the identified action points by roundtable moderators
- **11:45-12:00** – Conclusion by Guillaume Bonnel, CEO, SIFI

Focus of the Roundtables

The roundtable discussions were structured around five thematic topics, each addressing a core dimension of the challenge:

- **Development of secondary markets**
- **Role of public institutions**
- **Policies, regulatory frameworks, and incentives**
- **Innovative financial instruments**
- **Data, standards, and transparency**

Each roundtable aimed to identify concrete action points, contributing to a focused and solutions-oriented dialogue on scaling and professionalising impact investment markets.



Executive Summary

The following section highlights the key takeaways from the roundtable discussions that aimed at discussing challenges limiting the scale of impact investing and how to overcome them, in particular regarding insufficient liquidity.

1. Build dedicated secondary-market infrastructure

- Create specialised trading platforms for impact assets to aggregate supply and demand, reduce bilateral friction, and enable clearer price discovery.
- Develop impact indices and benchmarks to make valuation and comparison easier for buyers and sellers.

2. Use public capital to catalyse private participation

- Scale portfolio-level guarantees and liquidity facilities from DFIs and MDBs to reduce perceived exit risk and attract private investors.
- Encourage DFIs to sell mature assets to institutional investors to create visible exit pathways and recycle capital.

3. Mobilise local institutional investors

- Incentivise local pension funds and insurers to buy DFI-originated assets, anchoring liquidity domestically and strengthening local capital markets.
- Provide technical assistance so local institutions can assess and manage these assets.

4. Introduce proportionate, practical regulation

- Simplify fund authorisation and reduce administrative burdens for smaller and innovative managers (e.g., streamlined KYC for low-risk products).
- Adopt risk-based, proportionate rules that reward positive impact outcomes and lower entry barriers.

5. Scale innovative financial structures

- Pilot securitisation of DFI portfolios to convert illiquid loans into tradable instruments that institutional investors can buy.
- Test tokenisation for selected asset classes to lower transaction costs and enable fractional trading, paired with clear regulatory guardrails.
- Promote evergreen and open-ended fund models where appropriate to offer more flexible liquidity than fixed-tenor funds.

6. Improve data, standards, and transparency

- Create shared, open data platforms with interoperable APIs to publish deal-level performance and impact KPIs.
- Agree on harmonised impact taxonomies and standardised reporting to reduce information asymmetry.
- Use third-party verification and independent benchmarks to build investor confidence.
- Leverage AI tools to harmonise and analyse large datasets for faster, cheaper price discovery.



Roundtable 1 – Development of Secondary Markets

This roundtable focused on the structural, regulatory, and market-related barriers preventing the development of effective secondary markets for impact investments, with particular attention to emerging markets and developing economies. Participants agreed that secondary market activity remains limited due to the absence of dedicated market infrastructure, continued reliance on bilateral transactions, and weak mechanisms for price discovery. The lack of standardised pricing methodologies, impact benchmarks, and market indices further constrains comparability and limits investor confidence, reducing the attractiveness of secondary trading.

Regulatory fragmentation was identified as a cross-cutting challenge. Divergent definitions, eligibility criteria, and reporting requirements across jurisdictions increase complexity and perceived risk, particularly for cross-border investors. These constraints are compounded by primary-market characteristics, including small ticket sizes, highly bespoke deal structures, and local-currency exposure, which reduce the pool of assets that are scalable or suitable for secondary transactions. While many of these barriers are common across private market asset classes, participants noted that they are significantly amplified in emerging markets, where currency volatility, underdeveloped financial systems, and shallow capital markets further restrict liquidity. Addressing secondary market development was therefore seen as a critical lever for unlocking exits, recycling capital, and enabling the scale-up of impact investing.

Key Highlights:

- Secondary markets are constrained by insufficient infrastructure, limited price discovery, and a lack of standardisation.
- Fragmented regulatory frameworks reduce cross-border participation and increase transaction complexity.
- Primary-market features such as small deal sizes and bespoke structures limit secondary market viability.
- Liquidity challenges are more pronounced in emerging markets due to currency risk and weaker capital markets.



Roundtable 2 – Role of Public Institutions

This roundtable explored how public institutions, including governments, development finance institutions (DFIs), and multilateral development banks (MDBs), can more effectively support liquidity in impact investing. Participants highlighted the central role of DFIs and MDBs as anchor investors and liquidity providers, especially where private capital is constrained by limited mission drift during exits.

Discussions focused on the expanded use of portfolio-level guarantees, liquidity facilities, and risk-sharing instruments to crowd in private investors and improve access to impact investment vehicles. Participants also emphasised the importance of DFIs and MDBs playing a more active role in secondary markets by selling mature assets to private institutional investors. This was seen as critical to improving exit options, deepening market liquidity, and enabling capital recycling.

Anchoring liquidity locally was identified as a key priority. Encouraging local pension funds and institutional investors to acquire assets from DFIs could help retain value domestically and strengthen local capital markets. Participants stressed that long-term liquidity depends on robust local ecosystems, including regulatory capacity, market infrastructure, and technical assistance, while maintaining transparency and impact integrity throughout exit processes.

Key Highlights:

- DFIs and MDBs are essential liquidity providers in emerging markets.
- Guarantees and risk-sharing tools can help crowd in private capital.
- Secondary sales of mature assets improve exits and capital recycling.
- Local institutional investors play a key role in anchoring liquidity.
- Transparency and impact integrity are critical throughout asset transfers.
- Data standardisation and transparency underpin price discovery and market credibility.



Roundtable 3 – Policies, Regulatory Frameworks, or Incentives

This roundtable examined how public policies, regulatory frameworks, and incentives can support the development of liquid and well-functioning impact investment markets while preserving impact safeguards. In this context, policies refer to government strategies and interventions that set direction and priorities for impact investing; regulatory frameworks encompass the legal and supervisory rules governing fund structures, investor protection, disclosure, and market access; and incentives include financial or regulatory tools—such as guarantees, tax measures, or simplified regimes—designed to encourage participation, reduce risk, and support market development while maintaining impact integrity.

Participants agreed that while liquidity in fragile and emerging markets often initially relies on multilateral development banks (MDBs) and blended finance structures, long-term sustainability depends on the mobilisation of private capital.

Key challenges identified included the absence of robust regulatory frameworks in many developing countries, which limits market stability and investor confidence, as well as high regulatory entry barriers in Europe, particularly for smaller and innovative fund managers. Complex fund authorisation processes, high administrative costs, and minimum assets-under-management thresholds were seen as constraining innovation and market entry.

Participants called for more proportionate and practical regulation, including simplified fund creation processes, reduced administrative burdens, and risk-based approaches to requirements such as Know Your Customer (KYC). Regulation that actively rewards positive impact, rather than focusing solely on negative impact, was also highlighted. To support ecosystem development, participants discussed tools such as fund accelerators, umbrella platforms, clearer and interoperable taxonomies, and faster regulatory approval timelines.

Key Highlights:

- MDBs and blended finance are critical in the early stages, but private capital must sustain liquidity.
- Regulatory gaps in developing countries limit market stability and confidence.
- High entry barriers constrain smaller and innovative fund managers.
- Proportionate, practical regulation can support innovation and accelerate market development.
- Clearer taxonomies and global standards are essential for cross-border investment.



Roundtable 4 – Innovative Financial Instruments

This roundtable examined how innovative financial instruments, such as tokenised securities, evergreen and open-ended fund structures, securitisation vehicles, co-investment platforms, and secondary trading solutions, can address liquidity constraints in impact investing by improving tradability, risk-sharing, and accessibility beyond traditional closed-end fund models. Participants discussed how these structures can enable more efficient capital recycling, enhance price discovery, and broaden investor participation while preserving impact integrity.

Tokenisation was highlighted as a tool to reduce transaction costs and facilitate secondary trading, although broader adoption depends on greater regulatory clarity. Evergreen and blended finance structures were seen as offering more flexible liquidity compared to fixed-tenor funds, while securitisation of development finance institution (DFI) assets and co-investment structures were viewed as effective mechanisms to transform illiquid private credit portfolios into investable instruments. Participants also noted that listings and secondary platforms could enhance liquidity and market visibility, provided valuation methodologies, standardised documentation, and market-making capacity are strengthened. Persistent gaps include regulatory uncertainty, limited structuring expertise, insufficient data for price discovery, and coordination challenges among public and private actors.

Key Highlights:

- Innovative structures can improve liquidity, accessibility, and capital recycling beyond traditional fund models.
- Tokenisation shows strong potential but requires clearer regulatory frameworks.
- Evergreen, blended, and securitised structures offer more flexible liquidity options.
- Secondary platforms and listings depend on stronger valuation and standardisation.
- Key barriers include regulatory uncertainty, data gaps, and limited structuring capacity.



Roundtable 5 – Data, Standards, and Transparency

This roundtable examined how improved data quality, harmonised standards, and greater transparency can strengthen liquidity in impact investing by reducing information asymmetries, improving price discovery, and building investor confidence. Participants discussed the role of consistent impact and financial data, supported by common benchmarks, standardised methodologies, and credible verification, in enabling comparability and more efficient secondary-market functioning.

Key challenges identified included the lack of deal-level performance data, inconsistent taxonomies for impact key performance indicators (KPIs), and limited access to comparable investor and market information. To address these gaps, participants highlighted collective solutions such as shared open databases, public data platforms, interoperable APIs, and third-party verification mechanisms to enhance credibility. The growing role of artificial intelligence was also emphasised as a means to harmonise and analyse large datasets more efficiently, reduce costs, and improve accessibility for market participants.

Key Highlights:

- High-quality impact and financial data reduce information asymmetry and support liquidity.
- Harmonised standards and benchmarks improve comparability and secondary-market functioning.
- Key gaps include limited deal-level data and inconsistent impact taxonomies.
- Shared data platforms, interoperability, and verification can enhance market trust.
- AI can support scalable data harmonisation and analysis.



We would also like to express our gratitude to the speakers for sharing their expertise and insightful discussions.

- **Ashenafi Alemu**, Co-Founder and Managing Partner, Zoscales Partners
- **Arnaud Gillin**, Co-founding Partner INNPACT, Co-founder & Managing Director, Octobre & IIAB member
- **Gunter Fischer**, Principal Advisor, EIB Institute & IIAB Chair
- **Guillaume Bonnel**, CEO, SDG Impact Finance Initiative (SIFI) & IIAB Member
- **Lennart Duschinger**, Head of Sustainable Finance at the Luxembourg Ministry of Finance
- **Nicoletta Centofanti**, CEO LSFI
- **Shaneera Rasque**, Head of Regulatory Projects and Sustainable Finance, CSSF



ABOUT THE LUXEMBOURG SUSTAINABLE FINANCE INITIATIVE (LSFI)

The LSFI is Luxembourg's coordinating entity on sustainable finance, driving change across the whole ecosystem as a Centre of Excellence and Knowledge Hub, supporting the financial sector to accelerate the financing of the transition, and measuring progress.

The LSFI was founded in January 2020 by the Luxembourg Ministry of Finance, the Ministry of the Environment, Climate and Biodiversity, Luxembourg for Finance, and the High Council for Sustainable Development (Conseil Supérieur pour un Développement Durable).

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ABOUT THE IMPACT INVESTING ADVISORY BOARD (IIAB)

The Impact Investing Advisory Board (IIAB) is an advisory body to the Luxembourg Sustainable Finance Initiative (LSFI). The IIAB acts as an independent think tank on impact investing matters. The LSFI is the Luxembourg National Partner of the GSG Impact network, and the IIAB acts as the Luxembourg National Partner's Board of Directors.

The IIAB operates independently within the definition of its objectives, vision, and activities. The IIAB has the expertise and is the key body covering impact investing matters within the LSFI.



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