

Impact finance

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Impact finance denotes investments made with the intention of producing a positive and measurable social or environmental effect together with a financial return. Philanthropy, by contrast, forgoes any return, while sustainable investment in the broad sense integrates environmental, social and governance criteria into the analysis without necessarily aiming at a specific effect.

Geneva has become one of the centres of impact finance, at the meeting point of its financial centre and its International Geneva. Specialised managers, several of which were founded in Geneva, run funds invested in microfinance, sustainable agriculture, renewable energy, health and education in developing countries.¹ Private banks have created impact investment offerings for their clients. Public development finance institutions, foundations and international organisations take part in this market.

The instruments of impact finance are varied: microfinance funds, which lend to microcredit institutions in developing countries; green and social bonds, whose proceeds are allocated to specific projects; impact private equity funds, which take stakes in social enterprises; and mixed financing, which combines public or philanthropic capital with private capital in order to reduce the risk borne by the latter. This last mechanism, usually referred to by the English term *blended finance*, is particularly developed in Geneva, where public, philanthropic and private actors work side by side.²

The measurement of impact is the central issue in impact finance. An investment can be described as an impact investment only if its effect is defined, measured and reported. International standards have been developed for this purpose, and Geneva hosts initiatives that contribute to them.³ The quality of this measurement is what distinguishes genuine impact finance from practices that content themselves with a label.

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Approach	Objective	Typical instruments
Philanthropy	social effect without return	donations, foundations
Impact finance	measurable effect and return	microfinance funds, green bonds, impact private equity
Sustainable investment	integration of environmental, social and governance criteria	funds and mandates integrating these criteria, exclusions, shareholder engagement
Blended finance	mobilising private capital by means of public or philanthropic capital	tranching structures, guarantees, first-loss positions

Key points. Impact finance aims at a measurable social or environmental effect together with a return. Geneva is one of its centres, thanks to the encounter between its specialised managers, its banks, its foundations and the institutions of International Geneva. The measurement of impact is its central issue.

1 Notes

1. Symbiotics (symbioticsgroup.com): more than USD 12 billion invested in 669 companies in 99 countries, USD 2.5 billion under management across 19 funds and mandates; FAIR (finance-fair.org): Geneva company founded in 2004, manager authorised by FINMA, more than 425 financial institutions financed in 83 emerging countries. BlueOrchard (blueorchard.com): member of the Schroders group, headquartered in Zurich with an office in Geneva, network of more than 750 financial institutions in more than 100 emerging and frontier markets. responsAbility (responsability.com): Zurich impact investment company active in financial inclusion, climate finance and sustainable food. ↩
2. Building Bridges, page “About us” (buildingbridges.org): Geneva initiative launched in 2019 by the Confederation, the canton and the city of Geneva, the financial community, the United Nations and non-governmental organisations, including the Swiss Bankers Association, Swiss Sustainable Finance, the UNEP Finance Initiative and the WBCSD, to accelerate the alignment of the economy with the sustainable development goals; Building Bridges foundation established in October 2023; annual conference in Geneva. ↩

3. Operating Principles for Impact Management (impactprinciples.org): global voluntary framework for integrating impact throughout the investment cycle, whose signatories (managers, asset owners, multilateral banks and development finance institutions) commit to regular disclosure and independent verification; IRIS+ (iris.thegiin.org): the Global Impact Investing Network's system for measuring, managing and optimising impact, with indicators aligned with the sustainable development goals, made available free of charge.
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