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For investment professionals only

Ashmore

Generating impact and returns through EM public debt markets

(Abridged)

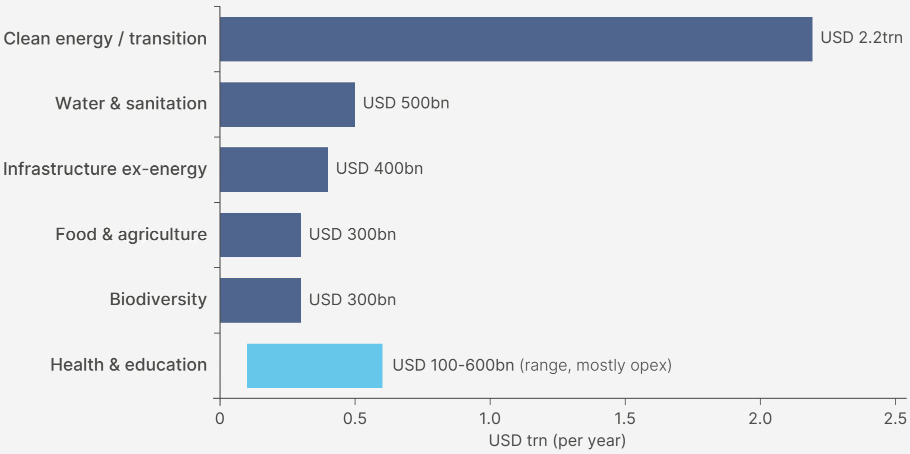
Over the last decade, emerging market (EM) public 'impact' debt – green, social, sustainable and sustainability-linked (GSSS) bonds – has delivered risk-adjusted returns in line with conventional EM investment grade (IG) credit, while achieving significantly more impact per dollar than in developed markets (DM). The investable universe continues to grow quickly: now larger than European High Yield, it is deep and broad enough for institutional allocators to invest at scale.

The need is in EM – and it is capital-intensive

The United Nations Sustainable Development Goals (SDGs), published in 2015, remain the standard framework for identifying sustainable investment needs in EM. However, ambitions to scale committed capital into the trillions annually have not been met.

Most of the often cited USD 4trn annual investment gap (to achieve the SDGs by 2030) sits in capital intensive sectors – energy, water and sanitation, and other infrastructure – where individual projects cost hundreds of millions to billions of dollars. Scaling private funding to this level is difficult, which is why public, securitisable debt is such an important avenue for capital deployment.

Fig 1: **Annual SDG investment gap by theme in EM**



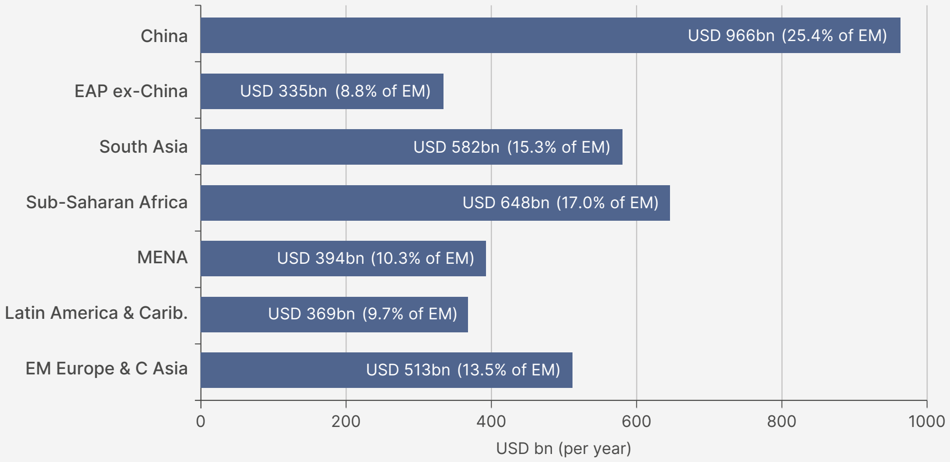
Sources: UNCTAD, SDG Investment Trends Monitor Issue 4 (September 2023), restated in World Investment Report. Annual investment gap for developing countries including China; total approximately USD 4-4.3trn a year.

Funding needs by region

UN Trade and Development (UNCTAD) gives no regional breakdown of the investment gap while the International Monetary Fund (IMF) builds country-level estimates. Instead of broadly estimating the annual funding needed to 'achieve' the SDGs, it costs the gap between each country and peers at similar GDP per capita across health, education, water and sanitation, electricity access and roads. China has the largest need in USD terms, but sub-Saharan Africa (SSA), South Asia and Middle East and North Africa (MENA) are much higher relative to the size of their economies.

While a diversified EM impact fund will invest across all these regions, higher-income countries such as China need proportionally less external financing – meaning active managers should direct capital to where the need is most acute.

Fig 2: **Regional split of the EM SDG spending need – USD 3.8trn per year**

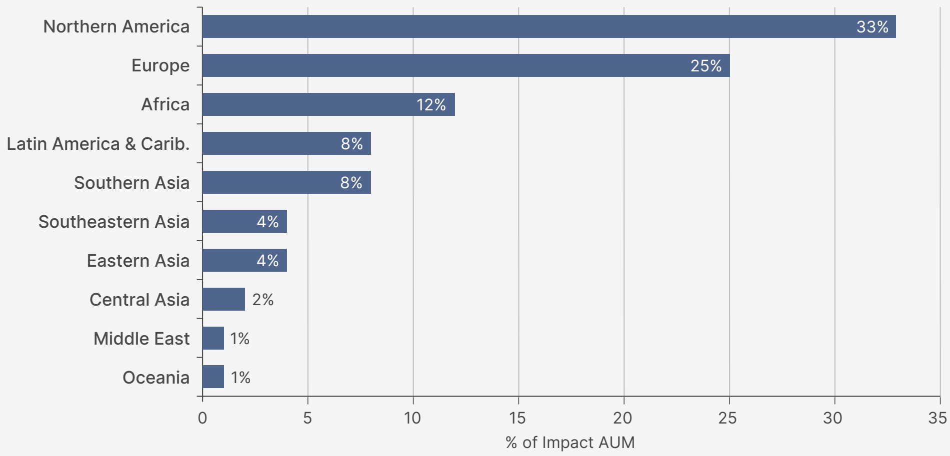


Source: IMF How To Note 2023/005, Appendix Table A1; own aggregation, GDP-weighted using WEO April 2026 nominal GDP for 2030. Share of total EM additional annual SDG spending need in 2030.Sources: UNCTAD, SDG Investment Trends Monitor Issue 4 (September 2023), restated in World Investment Report. Annual investment gap for developing countries including China; total approximately USD 4-4.3trn a year.

An under-allocation

Despite the obvious need for impact funding to flow to emerging markets, allocations today skew heavily to DMs, according to Global Impact Investing Network (GIIN) data.

Fig 3: **Share of impact AUM by region of investment**



Source: GIIN, State of the Market 2025, Figure 5 (n=359; sample AUM USD 218.3bn).
Share of impact AUM by region of investment; sub-regions bundled per own crosswalk.

This means investors are not only misdirecting capital, but also leaving significant impact per dollar on the table. Each USD allocated to EM generates 2x-20x the impact of the same allocation in DM, depending on the metric. In energy, for example, EM clean-energy projects typically displace coal and oil rather than DM's gas, giving roughly 2x the avoided emissions per USD – with greater gains in beneficiaries reached and jobs created across themes.

Fig 4: **Impact achieved per USD invested, EM vs DM**

Metric	EM multiple vs DM
Avoided emissions, renewables	2x
Clean transport passenger-km	8x
Underserved beneficiaries reached	10-11x
Jobs created	>20x

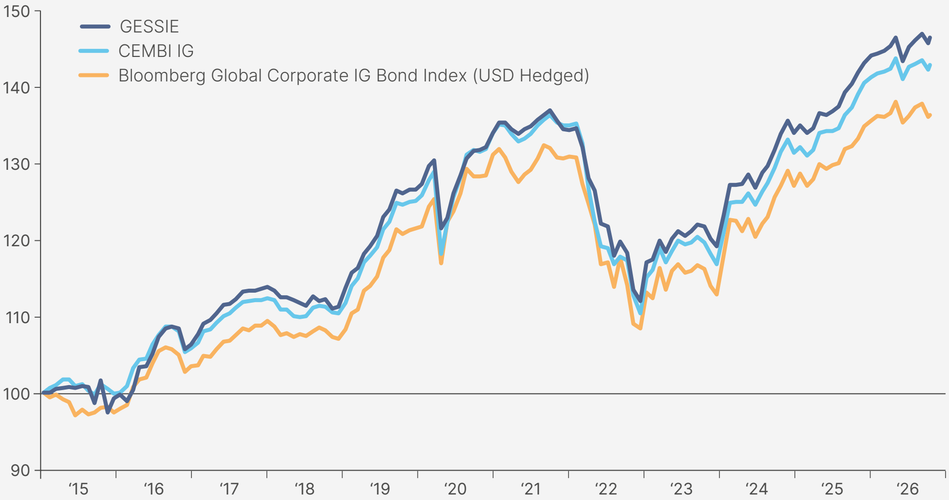
Source: Ashmore, 2025.

Public EM bonds are the most scalable avenue and require no concession

Growing impact capital flows to emerging markets requires leveraging the scalability of public debt markets. While overall impact investment growth has slowed in the last two years, the outstanding value of labelled EM impact bonds (green, social, sustainable and sustainability-linked) has grown to USD 784bn, with annual issuance near USD 200bn since 2023.

While there has historically been an observable 'greenium' in certain GSSS bonds, this is now much-diminished: the JP Morgan Green, Social and Sustainability Bond EM Credit Diversified Index (GESSIE EM CD) has marginally outperformed broad EM corporate IG debt (CEMBI IG) since inception, with a 0.97 monthly return correlation and almost identical volatility. Both indices have outperformed DM IG corporate debt over the period.

Fig 5: **Global Corporate IG vs GESSIE EM CD vs CEMBI IG returns**



Source: Bloomberg, JP Morgan. Data as at 31 August 2026.

Despite its growing scale and consistent returns, allocation to public debt by dedicated impact investors remains small. Private equity accounts for 41% of impact assets under management (AUM) and private debt 21%, against just 21% for public debt and equity combined. Private markets are essential to sustainable investment – they can originate transactions and reach companies with no other market access, often with the highest impact per dollar. But scaling this to the hundreds of billions, or trillions, needed annually is difficult. Each deal is sourced and underwritten individually, so capital deploys at the pace of origination, not availability. Public, securitisable debt scales differently, as each issue absorbs hundreds of millions to billions at once, and trades take place in liquid secondary markets, letting far more capital find a home per transaction.

Go active to maximise impact and risk-adjusted returns

Whilst the asset class is now relatively mature, active management is required – first and foremost to filter out companies and bond issues that do not generate real positive impact at the margin. About a quarter of ICMA-aligned impact bonds fail Ashmore's assessment for three common reasons: proceeds not reaching green projects, corporate incoherence – for example greening headquarters while expanding coal production – or harm in delivery, such as forced labour. Rigorous assessment of issuers is also critical, since financial viability ultimately drives both returns and impact.

The labelled universe also misses a significant opportunity: smaller issuers with 70-90% SDG-aligned business often can't reach the USD 300-500m minimum for use-of-proceeds bonds, while larger issuers fund SDG projects but forgo labels for other reasons. We estimate the unlabelled investable universe for EM public impact debt now exceeds USD 100bn.

Additionality in EM public markets

The standard objection to impact in public markets is additionality: the bond would have been issued anyway, and nothing changes because we owned it. But as outlined by the UK Foreign, Commonwealth and Development Office, there are four clear avenues for additionality in public markets:

1. **Primary issuance**
   Anchoring transactions that would otherwise struggle, dedicated capital develops markets, not just finances them.
2. **Secondary liquidity**
   Consistent buyers narrow spreads and improve price discovery where market makers are absent.
3. **Information**
   Backing new issuers, structures and countries demonstrates investability; aftermarket trading informs the market. MOBILIST calls this 'originate and demonstrate', potentially the most scalable impact route.
4. **Engagement**
   Issuers returning to market respond to existing holders, whether instruments are labelled or not.

Summary & Conclusion

We continue to make the point that global sustainability funding needs are overwhelmingly concentrated in emerging markets – most investors intuitively understand this. But what intuition and common knowledge often get wrong is an assumption that impact investment must mean sacrificing returns, liquidity or transparency.

Sustainable EM public debt requires no compromise from investors on any of these fronts. The investable universe is large and liquid, and has consistently delivered stable returns very closely comparable to EM IG corporate debt. Each dollar deployed into the asset class can achieve measurably more impact than in developed markets, and active managers can work to maximise both financial returns and impact generated by focusing on the most viable projects.

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Emerging View

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4 September 2026
By Gustavo Medeiros, Ben Underhill and Simon Cooke

Global sustainability funding needs are overwhelmingly concentrated in emerging markets, yet impact capital still skews to developed markets. The September Emerging View sets out why EM public debt is the most scalable way to close the gap.

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