



HIGHLIGHTS

TRANSITION INVESTMENT WORKSHOP 2025

Abu Dhabi | 29 October 2025

The 2025 Transition Investment Workshop examined transition investment as a distinct and evolving asset class. Key enabling technology trends – declining renewable energy and battery storage costs, the electrification of transport, and the rise of artificial intelligence – are accelerating this transformation and opening new investment avenues.

Across research, finance, and policy perspectives, a multifaceted picture emerged. Transition investment is increasingly defined by its integration of impact and return – measured through the concept of *impact delta*, which quantifies the relative improvement each dollar of capital delivers compared to a baseline.

The Workshop also explored how sovereign and institutional investors are operationalizing this agenda. New blended-finance platforms, credit enhancements, and secondary-market vehicles are beginning to channel patient capital into energy, mobility, and resilience infrastructure across emerging and developing economies.

Yet systemic challenges remain – currency volatility, policy uncertainty, and limited exits prevent full-scale institutional participation. Coordinated data systems and consistent taxonomies were identified as the essential preconditions for scale. Additionally, significant gaps in data, risk visibility, and governance frameworks require resilient stakeholder action. Transition investment requires a global framework capable of linking public and private capital, increasing access to data, reducing career risk, and aligning incentives.

The Workshop reaffirmed that building this architecture is as much about information and coordination as it is about financial instruments. The goal is to transition from development-stage projects to investable assets by creating diversified, de-risked portfolios suitable for institutional investors and commercial capital. DFIs and MDBs play a catalytic role in this process, acting as market architects that bridge early-stage risks and crowd in private capital. There is shared recognition that risk in emerging markets is not static. It evolves through institutional learning, financial deepening, and improved policy coordination.

Ultimately, the Transition Investment Lab views the asset class in formation – one that may eventually redefine how global capital allocates risk, measures impact, and finances growth. Anchored in Abu Dhabi, TIL continues to develop the evidence, partnerships, and governance tools needed to transform this emerging vision into investable reality.

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SESSION 1 – COVERAGE

TRANSITION INVESTMENT: INSIGHTS FROM RESEARCH

Executive Summary

Session 1 of TIW established the analytical foundation for Transition Investment (TI) – linking commercial returns with measurable impact. The discussion opened with the \$400 trillion paradox: despite vast global capital, only a fraction reaches the markets where transition financing is most urgent. Bridging this \$30 trillion annual gap demands a framework that integrates impact and return, measured through the concept of *impact delta* – the relative improvement each dollar of capital achieves compared to a baseline.

Technological transformation is accelerating this shift. Declining renewable energy and battery storage costs, the electrification of transport, and advances in artificial intelligence are reshaping project economics and unlocking new opportunities for catalytic and institutional capital. Within this context, transition investment is emerging as a distinct, evidence-based asset class that treats measurable impact as a driver of value creation rather than a concession.



SESSION 1

Key Themes & Takeaways

Themes	Insights
The 400-Trillion Paradox	Global wealth exceeds \$400 trillion, yet ~7% flows to the Global South. The constraint is not capital scarcity but the absence of effective mechanisms to channel funds toward sustainable development at scale. TIL frames this as the ultimate capital-mobilization challenge.
Defining Transition Investment	TI is an emerging asset class that combines four pillars: 1. Comprehensive sustainability coverage, 2. Focus on <i>impact delta</i> – reframing impact as a source of value creation rather than a concession, 3. Delivery of market returns, and 4. Concentration in underserved economies.
Impact Delta as a Value Driver	A dollar spent upgrading a coal plant in Kenya may deliver greater <i>relative</i> climate benefit than another wind farm in the North Sea. Impact delta reframes impact as a source of commercial value, not a cost center.
Technology as the Catalyst	Rapid declines in renewable and storage costs, electrified mobility, and AI-enabled analytics are turning transition projects into commercially viable assets. These trends demonstrate that technology, not subsidy, will drive the next investment cycle.
Institutional Capital and South-to-South Finance	Sovereign wealth funds and pension investors—long-duration, intergenerational owners—are uniquely positioned to anchor blended-finance structures that link public, private, and South-to-South capital flows.
Data and Market Infrastructure Gaps	Closing information asymmetries through standardized taxonomies and proprietary datasets remains essential. TIL's research on sovereign-wealth and private-market transactions aims to supply the empirical backbone for formalizing transition investment as an asset class.
Regional Opportunity and Scale	The MEASA region accounts for 55% of global population but attracts only 4% of institutional allocations. Larger co-investment and fund-of-fund vehicles are needed to absorb sovereign and institutional capital efficiently.

Next Steps

- **Operationalize Impact Delta Metrics:** Incorporate relative-impact measurement into portfolio design and performance evaluation.
- **Expand Data Partnerships:** Deepen collaboration with IFSWF, MDBs, and DFIs to build comprehensive, comparable datasets on sovereign and private-market transactions.
- **Develop Scalable Investment Structures:** Establish co-investment and blended-finance vehicles capable of accommodating institutional ticket sizes.
- **Leverage Abu Dhabi's Ecosystem:** Position Abu Dhabi as the nexus for transition-finance research, capital formation, and policy dialogue.
- **Advance TIL's Analytical Agenda:** Continue quantifying the relationship between sustainability outcomes and financial performance to solidify transition investment as an emerging asset class.



SESSION 2 – COVERAGE

DEVELOPMENT AS AN ASSET CLASS? REPRICING RISK AND RETURNS IN EMERGING AND DEVELOPING MARKETS

Executive Summary

Session 2 examined how credible, long-term data can redefine perceived risk in emerging and developing markets and position these markets at the core of transition investment. Drawing on thirty years of evidence from the GEMs dataset – over 10 000 private-credit counterparties across 169 countries – the analysis revealed an average default rate of 3.5 percent and average recovery rate of 73 percent, comparable to advanced-economy credit portfolios.

The discussion reframed the challenge not as a shortage of capital but as a coordination and career-risk problem. Investors face fragmented data, limited benchmarks, and professional disincentives that reward caution over innovation. Addressing this requires transparent evidence, shared standards, and mechanisms that normalize risk-taking in frontier markets. DFIs and MDBs are shifting from financiers to market architects, creating structures that share risk and mobilize institutional participation.



SESSION 2

Key Themes & Takeaways

Themes	Insights
Evidence Over Perception	GEMs data demonstrate that developing-market private credit performs comparably to advanced-economy lending— ≈3.5 % defaults and ≈73% in recoveries—proving that emerging-market risk is mispriced rather than inherent.
Coordination Failure and Career Risk	The main constraint is not money but misaligned incentives. Without reliable benchmarks, investment professionals avoid frontier exposure to protect careers. Overcoming this “coordination trap” requires credible data and collective validation of risk-taking.
Local Presence and Human Capital Matter	Successful frontier investing remains people-intensive. Over 60% of teams in leading EM-credit firms are based locally, emphasizing that origination and portfolio management depend on local knowledge.
From Risk Aversion to Risk Sharing	The workshop underscored a necessary paradigm shift: investors must move from risk avoidance to risk pooling. New blended structures, transparent data, and standardized benchmarks enable collective participation in markets once deemed too risky. Transition investment succeeds when risk is shared, not shifted.
Risk Sharing Through Market Architecture	DFIs and MDBs are evolving into market architects, deploying guarantees, FX-hedging, and first-loss tranches to align public and private risk appetites and unlock institutional scale.
Institutional Scale and Aggregation	Large investors face ticket-size and execution constraints. Aggregated portfolios and co-investment vehicles help deploy capital efficiently, while blended-equity structures and liquidity solutions can bridge exit and currency challenges in frontier markets.
Emerging Equity Frontier and Exit Challenges	Private-equity activity lags behind credit due to limited exits and currency volatility. Markets like Egypt and South Africa offer examples of liquidity and yield compression; elsewhere first-loss grants and blended funds could bridge the gap.

Next Steps

- **Expand and Publish Data:** Broaden GEMs-style datasets to include blended and equity portfolios.
- **Align Incentives:** Integrate transparent benchmarking to reduce career and reputational risk in frontier investment decisions.
- **Standardize Structures:** Scale portfolio-level guarantee, FX, and co-investment models that enable institutional participation.
- **Invest in Local Capacity:** Support training and governance networks to deepen on-the-ground expertise.
- **Institutionalize Development as an Asset Class:** Embed taxonomy, metrics, and shared frameworks to formalize this segment within transition-investment portfolios.



SESSION 3

SCALING UP COMMERCIAL CATALYTIC CAPITAL IN GLOBAL SOUTH INFRASTRUCTURE

Executive Summary

The session focused on the structural and practical challenges of mobilizing and scaling catalytic capital in Global South infrastructure, especially where financing gaps remain largest. Participants stressed the need to link public and private capital, improve risk transparency, and design blended-finance models that attract institutional investors without distorting returns. Africa was highlighted as severely under-served (energy access gaps, key assets), underscoring the cost of inaction as both economic and developmental risk. Overall, the discussion emphasized that scaling impact requires capital plus: credible data, regulatory trust, and genuine local market engagement



SESSION 3

Key Themes & Takeaways

Themes	Insights
The Financing Gap in Emerging Markets	Infrastructure in energy, transport, and social sectors remains underfunded. Private capital is increasingly central, but visibility and risk perception still constrain flows. Asia shows greater inflows; Africa faces data and visibility limitations.
Operationalizing Transition Investment	Private investors cannot stay peripheral. Pension funds, insurers, and sovereign funds need aligned incentives and proper structures to participate sustainably alongside development institutions.
Building Scalable and Bankable Infrastructure Platforms	Operators active across 15+ African countries described scaling from development-stage projects to diversified, de-risked portfolios that are investable for institutional and commercial capital.
Data Transparency and Risk Perception	A lack of consistent data drives mispricing. Actual portfolio losses in African infrastructure are much lower than perceived; data sharing and portfolio transparency can compress exaggerated risk premia.
Regional Risk and Policy Dynamics	Stable regulation and independent judiciaries help investors tolerate country risk. Some high-need countries show better-than-expected governance; well-structured, state-backed projects often remain resilient through political cycles. Calls included centralizing creditworthiness through trusted or government-backed mechanisms.
Blended Finance	Powerful but complex in practice: public-private expectation gaps, lack of standardized templates, and slow structuring limit scale. New frameworks and scorecards are emerging to simplify design and improve transparency.
Catalytic Role of Philanthropic and Impact Capital	Foundations and impact funds are shifting from grants to catalytic equity, providing early-stage capital and guarantees. Even on-ground exposure trips for investors can unlock meaningful inflows.
Exit Opportunities for Investors	Liquidity remains a challenge. Proposed solutions included secondary vehicles that buy out early investors and recycle capital into new projects – maturing markets and enabling later-stage institutional entry at de-risked points.
Local Currency and Domestic Capital Solutions	Examples from Nigeria and Vietnam show how domestic pensions/insurers can be mobilized via guarantees and credit enhancements. Local-currency bonds backed by domestic insurers expand participation and mitigate FX risk.

Next Steps

- **Standardize Investment Frameworks:** Develop clear contractual and governance templates to reduce complexity and accelerate blended-finance execution.
- **Expand Data Transparency:** Create shared databases for project performance and credit outcomes to recalibrate risk perceptions and attract institutional capital.
- **Enhance Liquidity Mechanisms:** Establish secondary funds and recycling facilities to sustain project pipelines and enable timely investor exits.
- **Mobilize Local Capital:** Scale domestic-guarantee platforms and integrate pension and insurance funds through local-currency instruments.
- **Strengthen Policy Alignment:** Encourage stable, transparent regulatory environments and centralized credit-rating frameworks to underpin investor confidence.
- **Advance Collaboration:** Leverage local ecosystems to connect sovereign, institutional, and development investors around standardized, data-driven models for transition infrastructure.



SESSION 4

SEEKING RESILIENCE ALPHA: PRIVATE MARKETS OPPORTUNITIES IN ADAPTATION AGAINST GLOBAL RISKS

Executive Summary

The final session explored how private markets can generate “resilience alpha” by investing in commercially scalable adaptation solutions that integrate technology, policy alignment, and measurable outcomes. The discussion focused on translating proven innovations into emerging markets, structuring exposure so institutional capital can participate, and linking resilience metrics to investment performance.

Promising opportunity areas included nature-based solutions with long-term offtake contracts, logistics and supply-chain resilience, digital trust and safety services connected to AI, and targeted industrial decarbonization where certification opens export markets. Key enablers included patient capital, seeding specialist managers, and deploying first-loss or anchor capital to crowd in private investors. Persistent challenges including currency volatility, regulatory fragmentation, and liquidity constraints, underscore the need for consistent data, standardized frameworks, and collaborative market design.



SESSION 4

Key Themes & Takeaways

Themes	Insights
Technology Diffusion as Resilience	Resilience technologies scale gradually and need capital across R&D, deployment, and market adoption. A viable path is to back globally relevant technologies with falling costs, then localize in emerging markets once operations are proven.
Sectoral Investment Challenges	Sustainable agriculture, education, and healthcare remain constrained by structural and profitability hurdles. These sectors require patient, blended capital to transition early-stage ventures into scalable enterprises.
Where Resilience Alpha May Emerge	Resilience Alpha was described as the capacity to generate long-term value by investing in systems designed to thrive through disruption. Portfolios ranging from desert-adapted agriculture and food security initiatives to large-scale power-infrastructure partnerships were cited as examples of resilience in action. These demonstrate how institutional investors can align diversification, innovation, and sustainability to deliver measurable impact. High-potential areas of Resilience Alpha also include: • Logistics and supply-chain resilience, • Digital trust & safety linked to AI, • Industrial decarbonization with certification-based market access, and • Nature-based solutions with contracted offtake that create infrastructure-like returns.
Insurance and Regulation as Catalysts	Insurers and asset owners increasingly view certain climate scenarios as uninsurable, driving investment toward transition and adaptation. Clearer regulation and definitions can reduce greenwashing and align capital with credible resilience outcomes.
Market Structure and Geopolitics	Divergent US-EU dynamics were noted: deeper US markets versus Europe's regulatory complexity. Security and defense considerations now influence infrastructure and energy decisions, linking resilience to national policy.
Seeding Specialist Managers	A persistent bottleneck is the shortage of capable fund managers to absorb capital. Seeding emerging GPs through operating support or GP-stakes can expand deal pipelines in housing finance, industrial adaptation, and other priority themes.
First-Loss and Anchor Roles	Public and philanthropic investors can serve as anchor or first-loss providers, de-risking early-stage projects and crowding in commercial capital for adaptation. These mechanisms are vital to scaling unproven but promising resilience solutions.

Next Steps

- **Develop Structured Pathways:** Design vehicles that channel developed-market capital into emerging-market adaptation through blended-finance and risk-mitigation instruments.
- **Integrate Resilience Metrics:** Embed standardized measurement of resilience outcomes within investment frameworks to link impact with financial performance.
- **Foster Innovation Ecosystems:** Build public-private partnerships around logistics, cybersecurity, and digital infrastructure to accelerate technology diffusion.
- **Scale Patient and Mission-Aligned Capital:** Expand collaboration between institutional investors, DFIs, and sovereign funds to provide long-duration financing.
- **Enhance Data and Disclosure:** Improve resilience-related data collection and transparent reporting to refine risk assessment and attract mainstream capital.
- **Strengthen Regulatory Coherence:** Encourage cross-border alignment of adaptation taxonomies and standards to reduce fragmentation and clarify investor expectations.