

White Paper: Impact Licensing as a strategic instrument for Impact Investment

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Introduction

Over the past five years, the Impact Licensing Initiative (ILI) has developed impact licensing as a strategic instrument for the societal and environmental valorization of research, innovation, and technologies. ILI has facilitated the sustainable transfer of five technologies from companies and universities to impact ventures, building a strong pipeline of technologies across various sectors, including clean energy, sustainable agriculture, health, AI, and education. Additionally, ILI launched the Impact Licensing Studio to accelerate the adaptation of technologies for societal markets and to support impact ventures in scaling these technologies in an economically sustainable way.

Building on the experience and lessons from its pilot projects, ILI is expanding impact licensing across Europe and beyond through an EU CSA Horizon project. This involves establishing a network of "clearing houses" to screen and negotiate impact licensing agreements across different geographies and technology domains.

Last year, ILI formed a taskforce to explore the implications of impact licensing for impact investing. The taskforce believes that impact licensing represents an innovation with the potential to significantly enhance the breadth, depth, and quality of impact investing opportunities, helping society better achieve its sustainable development goals. This whitepaper, aimed at investment audiences and policymakers, outlines the basics of impact licensing and based on early applications, demonstrates how its adoption can accelerate positive change in addressing societal challenges.

Having consulted a broad range of international stakeholders involved in impact investing and intellectual property licensing, this whitepaper aims to share knowledge about impact investing, highlight key benefits of this approach to all stakeholders, and sets out our goal of seeking capital commitments from impact investors to catalyse the market for impact licensing.

We welcome any input and participation in helping achieve these objectives and look forward to engaging with the impact investing community to build a community of practice around impact licensing.

Executive summary

Impact licensing is a new form of intellectual property management introduced by the Impact Licensing Initiative in 2019. An impact license is a time-bound permission granted by a technology owner to bring a defined intellectual property (e.g. a technology or a product or a service) to a pre-defined market for a specified societal value purpose. Impact licensing stands in the middle of the spectrum from commercial licensing and IP waivers, analogous to how impact investing sits between traditional investment and philanthropy. Impact licensing offers benefits to all stakeholders involved in an impact-licensed venture – the venture itself, beneficiaries, investors and the original technology owner. For example, technology owners that implement impact licensing have access to all improvements its licensees make, including cost reductions that it could apply in its core markets.

Impact investing as a field has grown tremendously since its inception, now standing at ca. 17% of total investments in the EU. However, capital allocations to impact have not kept pace with growing challenges. When the UN Sustainable Development Goals were announced in 2015, the annual financing gap to meet them was \$2.5 trillion per year. Today, due to factors including underinvestment, the COVID-19 pandemic and its aftermath and political instability, the annual funding gap is more than \$4 trillion.

Impact licensing can be a meaningful instrument to addressing gaps in sustainable development. We identify five key mechanisms by which impact licensing can move the dial on sustainable development: 1. Unlocking technologies and know-how for impact; 2. Reducing capital requirements to bring solutions to market; 3. Scaling effects; 4. Securing and assuring societal impact and 5. Facilitating sustainable tech transfer. Through these mechanism impact licensing can improve the diffusion of technologies to areas of need, improve the matching of impact investment pipeline and availability of capital, and provide improved impact assurance over the long term.

We end by summarising the positive effects on risk and impact profiles for organisations holding impact licenses and discuss what is needed to support impact licensing to grow the field and further test these assertions.

What is impact licensing?

An **impact license** is a time-bound permission granted by a technology owner to bring a defined intellectual property (e.g. a technology or a product or a service) to a pre-defined market for a specified societal value purpose.

Impact licensing is a new instrument with the potential to positively affect the impact assurance of businesses and initiatives that use them as well as their risk profile. The new “impact license” was developed by The Impact Licensing Initiative in 2019 to reinvent IP licensing practices balancing the economic and societal potential of IP. Impact licenses embed achieving measurable impact into the operational and commercial imperatives for the license holder. By combining impact with commercial provisions, impact licensing can unlock new technologies into impact domains. In addition, as will be discussed in more detail below, impact licensing can reduce the risk profile of a company over an equivalent venture developing the technology on its own.

Impact licensing is a “hybrid” approach to IP management, neither dedicating the IP rights to the public domain or other social development, nor omitting the IP rights entirely to protect the IP. It is a blended approach of offering licensing rights that creates the opportunity to maximise the societal and environmental¹ valorisation² potential of any sort of intellectual property such as patented technologies, trade secrets (e.g. methods, processes, datasets), trademarks, copyrights, portrait rights, brands, inventions and big data, collectively, “technologies”, without losing sight of the economic aspect and the goal to generate a return on investment for the technology owner. Just as impact investment defined an area of practice between traditional investment and traditional philanthropy, impact licensing occupies an area of practice between traditional licensing and public licensing.

Impact licensing entails the voluntary granting of permission by a technology owner to an impact venture to introduce a technology intentionally, measurably, and in an enhanced manner to a predefined market for a specific societal purpose. This purpose may involve addressing an unmet societal need or responding to a crisis. Impact licensing thus **enables** impact investment to create equitable returns and positive societal impact across a wide range of stakeholders. These three core characteristics of an impact license align with principles of impact investing, as explained below:

¹ For the remainder of this paper, references to societal shall be intended to encompass societal, social and environmental concerns

² For our Anglo-Saxon readers, valorisation is a common term in EU/Commission documents and activities referring to the creation of value along many axes, not only commercial but also social, societal, cultural, etc.

Table 1: How Impact Licenses Enable Impact Investing Principles³

Impact Investing Principles	Enabled by Impact Licensing Agreement
Intentionality: The pursuit of societal impact must be deliberate and not restricted to a mere potential. This criterion contrasts with certain “washing” marketing practices that only identify the capability or potential of the protected inventions, not their real achievements.	The goal of impact licensing must be explicit and dedicated to delivering a clear and affirmative societal benefit, not a mere capability. The impact license agreement defines the impact domains (geographical regions, target audiences, usage settings...) and quantifiable key indicators through which the technology will make a substantial difference. This definition delineates the primary societal market boundaries of the impact licensing agreement and facilitates the specification of methods and processes for monitoring and reporting on the impact.
Measurability: The impact should be quantitatively and qualitatively assessed, ideally by independent third parties, to enhance their trustworthiness and credibility.	The impact license agreement includes a provision that empowers the [clearing house] to reclaim the impact license if the licensee fails to adequately exploit or underexploits the IP within certain domains, applications, or geographies. The impact license agreement also establishes the boundary conditions for the technology's use that must be adhered to in the process of generating societal value. This may encompass aspects like quality monitoring and reputational risks.
Additionality: Impact investment activities must prioritise undercapitalised regions and evaluate whether the impact achieved would have materialised without its effort.	The impact license agreement includes provisions that focus on the evaluation of the impact achieved through the use of the IP in the defined domains and regions. The impact license agreement does not undermine other valorisation efforts by the technology owner in the traditional and more profitable markets and specifies limitations for the licensee designed to safeguard the technology's potential for economic growth both before and after the licensing period. These restrictions can extend to the use of the technologies by the impact venture beyond the defined societal market, time constraints, and more.

Where an impact license is present, the technology owner, the impact venture, the investor investing in the impact venture, and the beneficiaries of the impact venture are all stakeholders to the impact license. The clearing house takes on the role of neutral broker and catalyst to define the modalities of the impact licensing agreement, to monitor the compliance of the use of the technology according to the impact licensing terms and to ensure maximal societal valorisation. Each of these stakeholders stands to accrue different benefits, as summarised in the table below:

³ The key principles of impact investment have been outlined by the G8 Social Impact Investment Taskforce and the [Global Impact Investing Network \(GIIN\)](#).

Table 2: Benefits of Impact Licensing for Each Party to the Agreement

Party	Illustrative Return ⁴
The investor(s)	• Broader variety of investment opportunities generally, and particularly an increase in hardware solutions meeting investment criteria: ○ New technologies released to market for impact purposes due to the hybrid benefits to tech owners – catalysing new businesses ○ Improved risk profiles of investment proposals, allowing concepts that would not be viable without an impact license to be considered • More assured impact and mission lock over the lifecycle of the business, including past the investment horizon • New areas of impact possible to address and invest in • Support of other stakeholders (the technology owner, a clearinghouse) in collecting impact data
The impact venture	• Improved tech development – faster and/or cheaper routes to MVP and product iterations • Valuation support due to existence of the impact license as an IP asset in the business • Opportunities to scale the business through sub licensing, while assuring impact for investors
The technology owner	• Exclusive access to the improvements made via the societal use of their technology • Exclusive access to the technical data that are generated during the roll-out of the impact license • Recognition and the ability to claim a contribution to the achievement of impact, UN SDG goals, etc • Financial returns (although generally to a lesser degree than traditional licensing)
The clearing house	• IP pool of impact licensed technologies to develop disruptive solutions for important societal challenges of today • Catalyst of societal change
The beneficiaries	• Potential for broader dissemination of technology, more quickly, by virtue of licensing • Possibility for local manufacturing and production, local innovation • Key points ensuring good use can be built into licensing agreements to help ensure quality of service

The fundamental difference between impact licensing and traditional licensing is that the technology license is not based on market size (defined by geography, sector and application) but on the effective desire of the impact venture to use the technology to generate key societal outcomes that drive impact.

Examples of impact licensing-backed businesses include:

[IKIC Ventures BV](#), which is bringing first and last mile cold chain solutions for the health and agricultural sectors to market in low and middle income countries (LMICs).

Technology Owner	Core Market for Tech Owner	Impact License Market
Colruyt Group NV	Passive cold chain “thermostatic batteries” developed for supermarket logistics	LMICs to increase incomes of small farmholders and for health applications

[COOSHA Impact Ventures BV](#), a renewable energy supplier for off-grid areas. It uses hydrogen solar panel technology to create hydrogen gas from the air.

Technology Owner	Core Market for Tech Owner	Impact License Market
Solhyd BV	Large scale hydrogen installations at varying pressures.	Low pressures installations in LMICs

⁴ Returns will vary, case by case and through negotiation

Ongoing challenges in impact investing

Impact investing, virtually unknown by that name 30 years ago, has undergone tremendous growth and development. The traditional separation between for-profit investment capital and pro-social philanthropy has begun to break down and today a diverse array of hybrid investment models exists, encompassing ESG-linked financing, impact investing, catalytic impact funding, impact bonds, venture philanthropy, amongst others. Notably, hybrid finance options like ESG-linked financing and impact investing now constitute 17% of total investments in the EU, having grown 26% from 2020 to 2021⁵.

Despite this growth and development, progress towards the United Nations Sustainable Development Goals (UNSDGs) has not kept pace with the volatile realities of our times. The annual financing gap to meet the UNSDGs now stands at estimated \$4 trillion per year⁶, up from \$2.5 trillion when the SDGs were first announced in 2015, as a result of factors including the COVID 19 pandemic, lingering effects of the financial crisis and other political and climate instability driving up the cost of food, fuel and financing. While the need for attracting additional capital into the space has never been clearer, the field's blend of objectives can make deployment of capital complex, and the presence of these complexities remains a barrier in reaching the levels of capital deployment that are needed.

We believe that impact licensing has the potential to create a differentiated pipeline of investment opportunities, overcoming some of the challenges of reaching the sustainable development goals and attracting new capital into the space. The three challenges we believe impact licensing can materially address are summarised below:

Technology diffusion: Society has a vast amount of technological know-how that is not being applied to sustainable development challenges. Intellectual property is often owned and controlled by organisations operating in markets far from the societal need, without the incentives to make the leap into such societal markets because they are not profitable, or not profitable enough, with their cost structure, and because they lack the know-how to make the necessary adaptations for these markets. Traditional licensing does not allow for the adaptations often needed without posing potential threats to these organisations' core businesses. In addition, it is unrealistic to expect original technology owners to cover all permutations and markets where their technology can be useful. Gaps in technology are documented by organisations such as the United Nations Technology Bank for Least Developed Countries, which has conducted technology needs assessments on eleven least developed countries, identifying which sectors have needs and which technologies could potentially close these gaps. These gaps and mismatches can also occur in any market. Below we will discuss some of the ways in which impact licensing can support better technology diffusion to these areas of need.

Pipeline mismatches for capital: An often-cited barrier for more institutional capital to enter the impact investing space is lack of pipeline, e.g. not enough large scalable investment opportunities to meet investment criteria and fund economics. The impact investment pipeline has a long tale of small, niche solutions, where transaction costs can be high and there is too little capital willing to take early-stage risk to meet demand. In the venture space, there is a tendency to favour asset-light approaches that cannot solve every technology gap that exists. To improve the situation the investment community will need to find ways to adapt. However, below we will discuss ways in which impact licensing can support the development of more large, scalable investment opportunities, reduce the costs and time for developing technology-based businesses, and support diversification away from the asset-light model to allow other types of problems to be addressed.

Impact assurance: Finally, long term assurance of societal impact remains a concern for certain funders. When operating through shareholder models, there is a risk that new owners can pivot away

⁵ Impact Europe, Report "[Accelerating Impact 2022](#)"

⁶ As measured in 2022, and with falling investment in 2023 and 2024, likely widened

from markets of need to those with higher profit margins and lower impact profiles. Models such as steward-owned companies, B-corp certifications and other approaches address these concerns, but are not always applicable or do not always go far enough. Impact licensing provides another approach to impact assurance over long terms.

How impact licensing facilitates increased impact investment and progress against sustainable development goals

Impact licensing introduces specific features and modalities into impact ventures that address the challenges discussed above. We summarise these mechanisms of impact licensing into five key areas:

1. **Unlocking technologies and know-how for impact:** Impact licensing facilitates the dissemination of technologies into various markets without the necessity of expanding economic activities of the IP owner. Also, by allowing initiatives to start from a strong technology foundation and know-how, it allows impact ventures to focus on adaptation of the technology to the targeted challenge. In particular, impact licensing allows solution development to concentrate attention on “frugal innovation” approaches, reducing the complexity and cost of a solution to make it more suitable for lower income markets, as well as addressing the specific user needs of those contexts. Technologies that would not otherwise be available for adaptation for impact, because technology owners would not do the work or investment themselves and would not make the technology available without suitable IP and economic controls in place, can come to market. These technologies offer a broader range of tools to be applied to impact challenges and are likely to allow solution development in areas previously not seen as feasible. In providing a pathway for technologies to move from existing owners to areas of need, impact licensing overcomes barriers to technology diffusion.
2. **Reduction in capital requirements to bring solutions to market:** Starting from an existing technology allows for faster, cheaper and less risky solution development with certain fundamental technology concerns already addressed and thereby can help attract impact capital to rapidly develop and scale impactful solutions. Faster beta solutions with more time to focus on user needs in developing the MVP increase success and early adoption rates and reduce early iterations needed. Lower capital requirements generally lower the risk profile of an investment. In addition, the impact license becomes an asset in the business, simultaneously reducing risks for founders and investors in technology-backed businesses as the asset can be leveraged in financing, and impact licenses offer options for diversifying income through royalties. Access to know-how from the technology owner provides an additional layer of support for impact investment-backed businesses that can reduce risk of failure. In addition, solutions containing hardware components and supply chains for production have historically been considered higher risk than service or software-based solutions and thus have faced higher hurdles for funding. Use of an impact licensed technology can lower the assessed risk profile by virtue of having a basis in proven technologies, having a jump-start on development, and/or having access to know-how (when provided by the technology owner). Impact-licensed initiatives have the potential to attract new capital into previously hard to fund sustainable development areas.
3. **Scaling effects:** Impact licensing can help organisations achieve scale through creating new tech-focused enterprises with expertise to adapt technologies in multiple markets and for multiple user cases and by allowing sub licensing to bring in local actors to focus on markets that would have been too small to support the adaptation and maintenance of the technologies on their own. These approaches can help build businesses at scales attractive to convince institutional capital providers to increase their allocation to impact investment.
4. **Securing and assuring societal impact:** Impact licensing strategically embeds a social mission mandate within enterprises, as long-term licensing agreements specify the societal purpose of the technology usage and prohibit IP infringement beyond its intended societal mission. For impact investors, this provides additional assurance beyond other mechanisms available today to “lock-in” an impact mission, not only while they are invested but for the long term.

5. **Facilitation of sustainable technology transfer to emerging markets:** Impact licensing promotes ventures to move beyond export models and explore opportunities for embedding technology know-how and further adaption in local markets where products and services are sold. Technology transfer models allow for more diverse and resilient emerging markets, and thus also contribute to more resilience global supply chains and improve upon existing extractive methods of investment by allowing for greater knowledge and wealth creation in local markets.

	Improve Tech Diffusion	Pipeline- Capital Mismatch	Impact Assurance
1. Unlocking technologies and know-how for impact	✓		
2. Reduction in capital requirements		✓	
3. Scaling effects		✓	
4. Securing and assuring societal impact			✓
5. Facilitation of sustainable tech transfer	✓		

Attention areas for impact licensing in impact investment

While the task force recognises the potential of impact licensing as a strategic instrument for fostering equitable transformation, it also acknowledges certain risks that warrant attention:

Narrow Technology-Driven Approach: While technology can be a powerful force for good, solely focusing on a narrow, technology-driven approach may overlook the complex societal problems of today, which often have deep social, cultural, and systemic roots. Impact licensing of technology can only generate meaningful impact when integrated into a holistic, collective impact approach.

Gender Paradox: There exists a significant gender paradox within impact licensing, particularly in sectors such as health, agriculture, ICT, and energy, where research and development centres are predominantly driven by male engineers. However, many unmet societal needs, especially those related to health and social care, are disproportionately owned by women. It is crucial to adopt a gender-inclusive lens to address this disparity effectively.

Intellectual Property Disparities: Currently, intellectual property serves as a dominant strategy for economic exploitation of inventions in the developed world, while IP protection in the developing world remains underdeveloped. Additionally, many inventions in developing countries are left unprotected, and inventors from developed nations often neglect to protect their IP in low and middle-income countries. Therefore, hybrid impact licensing must adopt a broader perspective on how IP can be safeguarded rather than relying solely on IP legislation. These complementary and alternative approaches include collective certification marks, trademarks, data protection mechanisms, and other innovative approaches.

Preliminary conclusions

In summary, impact licensing has the potential to significantly expand impact investing by creating new investment opportunities that are linked to societal outcomes, using a legal framework that includes impact requirements and controls.

Impact licensing can help reduce investment risks and broaden the reach of impact investing in several ways. First, it increases the willingness to fund societal ventures, resulting in more ventures receiving the necessary support. Second, it attracts new types of investors who may not have previously considered impact investing, expanding the pool of capital. Third, it allows more funds to be directed toward individual opportunities, enabling faster growth and greater scale.

Furthermore, impact licensing can enhance both the breadth and depth of impact achieved through impact investing. It opens up new areas for investment, enabling more types of societal challenges to be addressed. It also accelerates progress by avoiding the need to reinvent solutions that already exist, and it enables the development of more tailored solutions by using capital more efficiently for development.

However, impact licensing is still not widely known or implemented. For it to reach its full potential, several steps are required. Technology owners need to be educated about impact licensing, its benefits, and how it works, to encourage them to offer their technologies for licensing. Organizations identifying technologies for reuse and supporting impact ventures to use impact licenses must establish viable and sustainable funding models. The early stages of impact licensing need support to build a solid evidence base and demonstrate its benefits, helping to create a recognized track record. Additionally, impact investors need to gain a better understanding of impact licensing and how to evaluate impact ventures using it, ensuring that they can verify the positive effects on growth and funding needs. Finally, organizations that focus on systems change should explore using impact licensing as a strategy for filling gaps in solutions needed to achieve their objectives.

Next Steps

As next steps following this paper, we invite a wider audience of experts to engage in discussions that will help stress test the benefits highlighted and refine approaches to maximize the potential of impact licensing for impact investors. This collaboration will be crucial in addressing key areas that need further attention and in developing practices that will support the scaling of impact licensing.

We encourage you to reach out if:

1. You have ideas or feedback on how we can build upon the concepts presented in this paper to drive the adoption of impact licensing and attract new impact capital.
2. You are a technology owner and would like to explore how your technology could benefit from an impact license.
3. You are an investor interested in funding impact ventures that are powered by an impact license.

We look forward to continued collaboration and appreciate your contributions and engagement as we work together to advance the impact licensing model. Thank you in advance for your input!

The Taskforce for Impact Licensing and Impact Investment

Contact details:

To connect with our team, please contact us at: Taskforce@impactlicensing.org

We look forward to engaging with you soon!

Taskforce Impact Licensing and Impact Investment

- [Christian Polman](#), Taskforce Chair

Christian blends corporate strategy, innovation, and growth to help impact-oriented ventures successfully grow and raise capital from leading impact investors globally. At EthicalFin, his work covers climate, sustainability and innovation. He is also a seed-stage impact investor and is on the investment committee of a Family Office focusing on impact investing.

- [Pieter Lavens](#), Member

Pieter is a legally trained private equity and venture capital professional experienced in advising private equity and venture capital investors on their leveraged buy-outs, majority and minority investments and capital markets transactions. Pieter is also an angel investor.

- [Jennifer Marzullo](#), Member

Jennifer is an investment professional with over 12 years' experience in impact investing in Europe and the UK. She is currently spinning out a venture studio from the Impact Licensing Initiative to scale activities to bring impact licensed technologies to market.

- [Johan Moyersoan](#), Member

Johan has decades of experience in social business innovation at the international level. He developed impact licensing from his insight that technology was chronically underrepresented in social interventions. He founded the Impact Licensing Initiative in 2019.



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