



ABOUT THE CATALYTIC CAPITAL CONSORTIUM

The Catalytic Capital Consortium is an investment, learning, and market development initiative bringing together leading impact investors who believe that greater, more effective use of catalytic capital is an essential component to achieving the UN Sustainable Development Goals (SDGs) and realizing the full potential of the impact investing sector.

The initiative will help more funds and social enterprises attract the financing they need to address some of the world’s most pressing challenges as well as spur learning about catalytic capital in the impact investing community.

WHAT IS CATALYTIC CAPITAL?

Catalytic capital is a subset of the full continuum of investment capital. Catalytic capital is patient, risk-tolerant, concessionary, and flexible in ways that differ from conventional investment. It is an essential tool to bridge capital gaps and achieve both breadth and depth of impact, while complementing conventional investing.

WHY NOW?

Although impact investing is growing, there is a significant gap in financing opportunities for many promising impact enterprises and funds. In addition, increased flows of private capital are urgently needed to achieve the SDGs by 2030 and address the estimated annual financing gap of \$5 trillion to \$7 trillion. While large sums of conventional investment stand ready to be deployed to investment opportunities that can achieve risk-adjusted market rate returns, there remains a scarcity of catalytic capital to spur investments that offer high-impact potential but are not yet in a position to attract conventional investment at scale. Investments that leverage catalytic capital can address this challenge by proving out new and innovative products and business models; demonstrating that hard-to-reach geographies and populations most in need are investable; and scaling nascent opportunities to a level where the economics are appropriate for conventional investment.

Conventional investing	Responsible investing	Sustainable investing	Impact investing	Philanthropic grantmaking
Seek market-rate, risk-adjusted financial returns				
	Mitigate Environmental, Social, and Governance (ESG) risks			
	Pursue ESG opportunities			
	Contribute to measurable, targeted impact solutions			
			Catalytic capital: Fill capital gaps for impact enterprises and facilitate additional investment	

From Tidaline’s *Catalytic Capital: Unlocking More Investment and Impact*. Adapted from Barby, C.; Pederson, M. (2014). *Allocating for Impact: Subject Paper of the Asset Allocation Working Group*. Bridges IMPACT+ and UBS for the Social Impact Investment Taskforce established under the UK’s Presidency of the G8.

HOW THE CATALYTIC CAPITAL CONSORTIUM WORKS

The John D. and Catherine T. MacArthur Foundation conceived of and leads the initiative; strategic partners The Rockefeller Foundation and Omidyar Network provide expertise based on their experience in impact investing, use of catalytic capital, and grantmaking.

The initiative includes:

- **Matching Investments:** MacArthur is dedicating up to \$150 million in investments on a matching basis to approximately five funds or intermediaries that demonstrate a powerful use of catalytic capital across sectors and geographies. MacArthur's first investment is \$30 million to expand and accelerate The Rockefeller Foundation's Zero Gap initiative. The investment marks a unique impact investing collaboration between two foundations, where each will invest \$30 million with the aim of catalyzing at least \$1 billion in new capital to help meet the SDGs. MacArthur is reviewing additional investment proposals from funds and investment

vehicles that address a wide range of issues aligned with the SDGs in both emerging and developed markets.

- **Learning Grants:** MacArthur, The Rockefeller Foundation, and Omidyar Network are dedicating an initial \$10 million in grants to fuel learning and market development, helping illuminate when and how catalytic capital can be most effective and what additional tools and practices are needed for impact investors.

MacArthur will announce additional investments and information on grantmaking later in 2019.

JOIN THE COMMUNITY

The Consortium encourages a wide range of investors, entrepreneurs, and researchers to join us as we expand catalytic capital investing and learning for greater impact. Visit www.macfound.org/CatalyticCapital to learn more and to sign up for periodic updates, or email CatalyticCapital@macfound.org for more information.



Case studies of catalytic capital, with a photo courtesy of Habitat for Humanity International