

# Maximizing Catalytic Capital's Leveraging Power

*9 October 2024 - Webinar*

EVPA is now **Impact Europe**  
*The* Investing for Impact Network



# Moderator



**Peter Cafferkey**

Foundations and Philanthropy,  
*Impact Europe*

EVPA is now **Impact Europe**  
*The* Investing for Impact Network



# Meet the Speakers



**Urmi Sengupta**

Field Support Manager & Senior Impact Investments Officer Impact Investments, MacArthur Foundation  
Chair, Project Advisory Board, Catalytic Capital Consortium Grantmaking



**Priya Krishnamoorthy**

Founder and CEO  
200 Million Artisans



**Michael Brown**

Impact Finance Research Consortium & Head of Research at the ESG Initiative at the Wharton School



**Jayshree Venkatesan**

Senior Research Director, Consumer Protection & Responsible Finance  
Accion/ Center for Financial Inclusion



**Sarah Kearney**

Executive Director  
Prime Coalition



**Zsuzsanna Pósfai**

Co-founder  
Periféria Policy and Research Center

***The*** Investing for Impact Network



# Agenda

- ✓ Welcome
- ✓ Setting the Scene:
  - ✓ Impact Europe and Catalytic Capital
  - ✓ Catalytic Capital and Catalytic Capital Consortium
- ✓ Speakers' Presentations
- ✓ Plenary Discussion with Speakers
- ✓ Audience Q&A
- ✓ Conclusions and wrap-up

---

EVPA is now Impact Europe, *the* Investing for Impact Network



# Impact Europe and Catalytic Capital

As defined by Impact Europe's community of practice, catalytic capital "addresses gaps left by mainstream capital, in pursuit of impact for people and planet that otherwise could not be achieved."

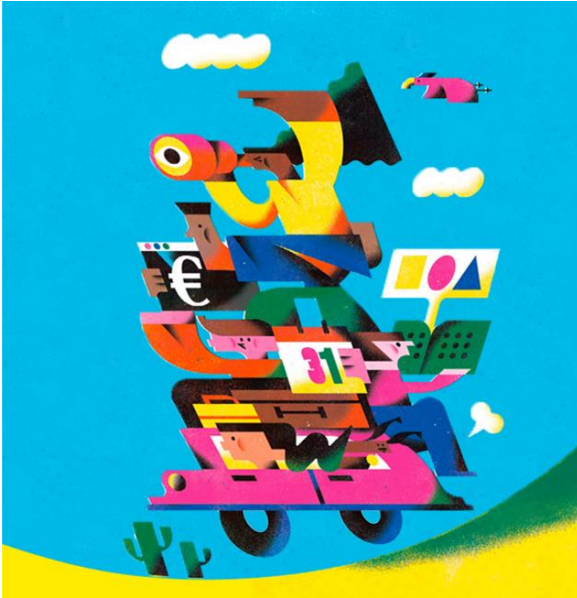
"Catalytic capital is way more than a programme; it is the common thread that helps us mobilise philanthropic, patient and commercial capital." - Roberta Bosurgi, CEO, Impact Europe



EVPA is now Impact Europe, **the** Investing for Impact Network



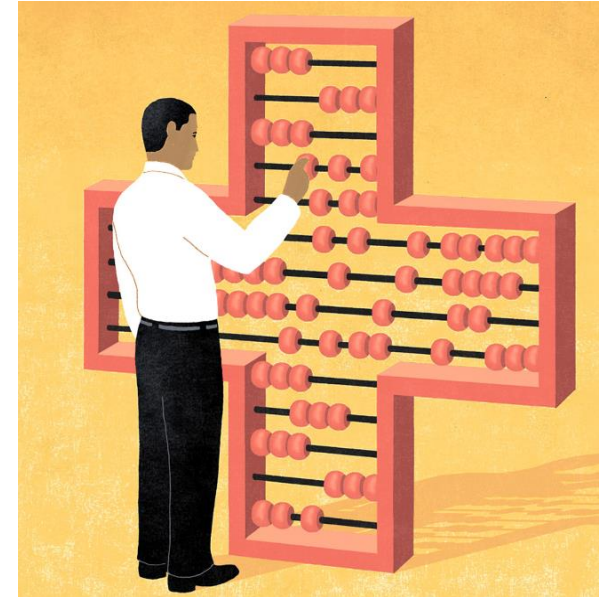
# Impact Europe and Catalytic Capital



**Catalysing Impact (2023)**  
Catalytic Capital Whitepaper



**Catalytic Capital Quiz (2023)**  
Is your capital catalytic?



**Additionality Along the  
Continuum of capital  
Research (2024)**

---

EVPA is now Impact Europe, *the* Investing for Impact Network





# Catalytic Capital & the Catalytic Capital Consortium



**Stacy Xiao**

Programme Officer, Grantmaking  
Catalytic Capital Consortium

***The*** Investing for Impact Network



# Catalytic Capital in Impact Investing

Forms, Features, and Functions

October 9, 2024



# Catalytic Capital in Impact Investing

Forms, Features, and Functions

Maoz (Michael) Brown  
Riya Kadam  
Katherine Klein



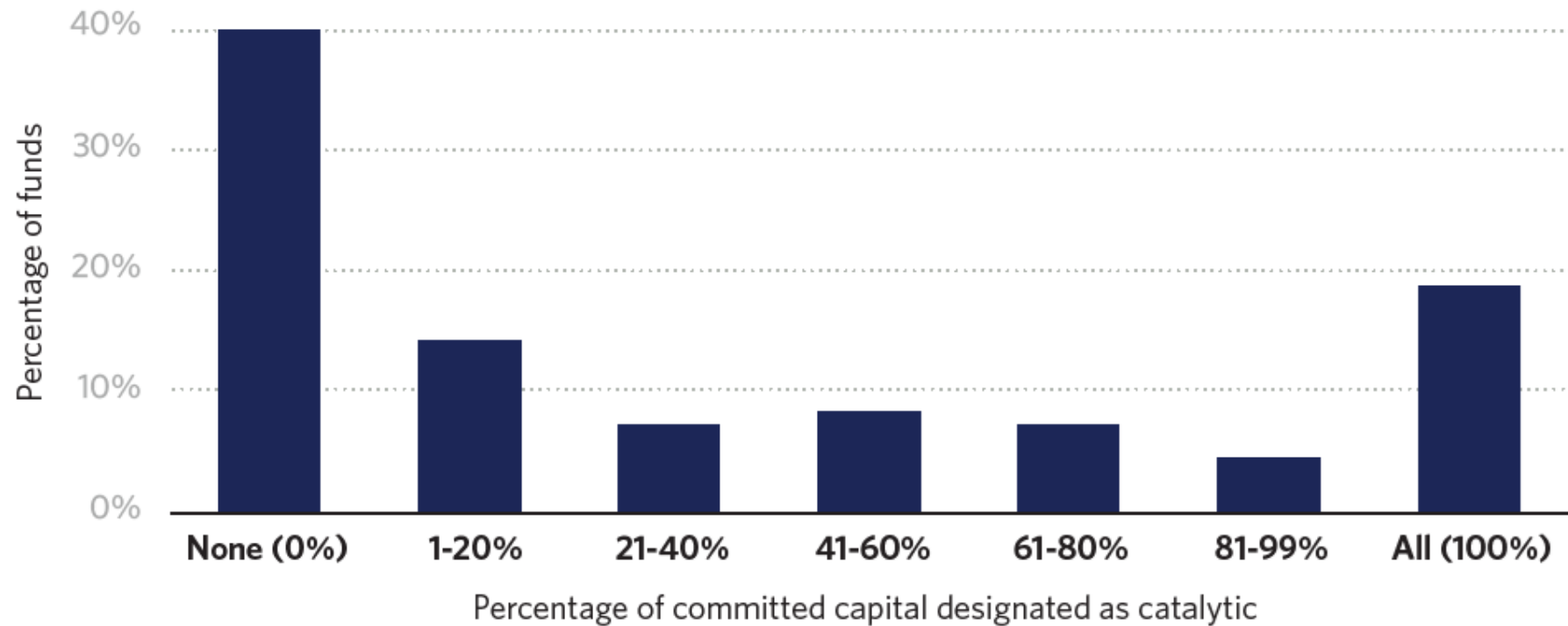
# The Impact Finance Database (IFD)

- Joint effort among Wharton, Harvard Business School and Chicago Booth
- Comprehensive survey of impact investing funds (data collected 2020-2021)
- 222 impact funds in sample, with broad representation across size, region, strategy, etc.
- Topics covered include:
  - Investment strategy
  - Impact measurement practices
  - Investor/investee relations
  - Lots more

# IFD section on catalytic capital

- Presented C3's definition of catalytic capital
- For those who identified as catalytic, we asked a variety of questions:
  - What kind of catalytic capital do you deploy?
  - For what reasons?
  - How much?
  - From what sources?
- IFD enables comparison across range of catalytic capital engagement

# The catalytic capital spectrum

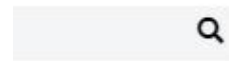


# Higher engagement with catalytic capital is associated with...

- Smaller fund size
- Lower likelihood of targeting market-rate returns
- Higher likelihood of making debt investments
- More focus on emerging markets

Higher engagement with catalytic capital is **NOT** associated with...

- Greater incentivization of impact performance
- Higher focus on impact during due diligence
- More thorough impact measurement practices
- Higher percentage of investees reported to have met or exceeded impact goals



Catalytic Capital | October 24, 2023

## Embracing the Spectrum: Investors of catalytic capital seek outperformance – on impact

Maoz (Michael) Brown

f X in

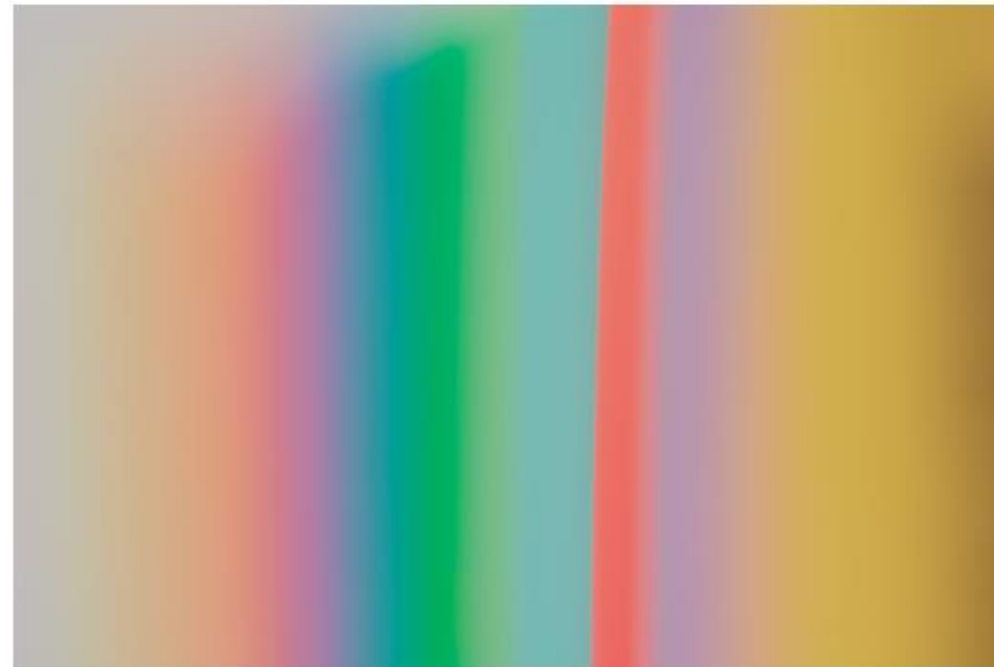


Photo by Pavlo Kochan on Unsplash



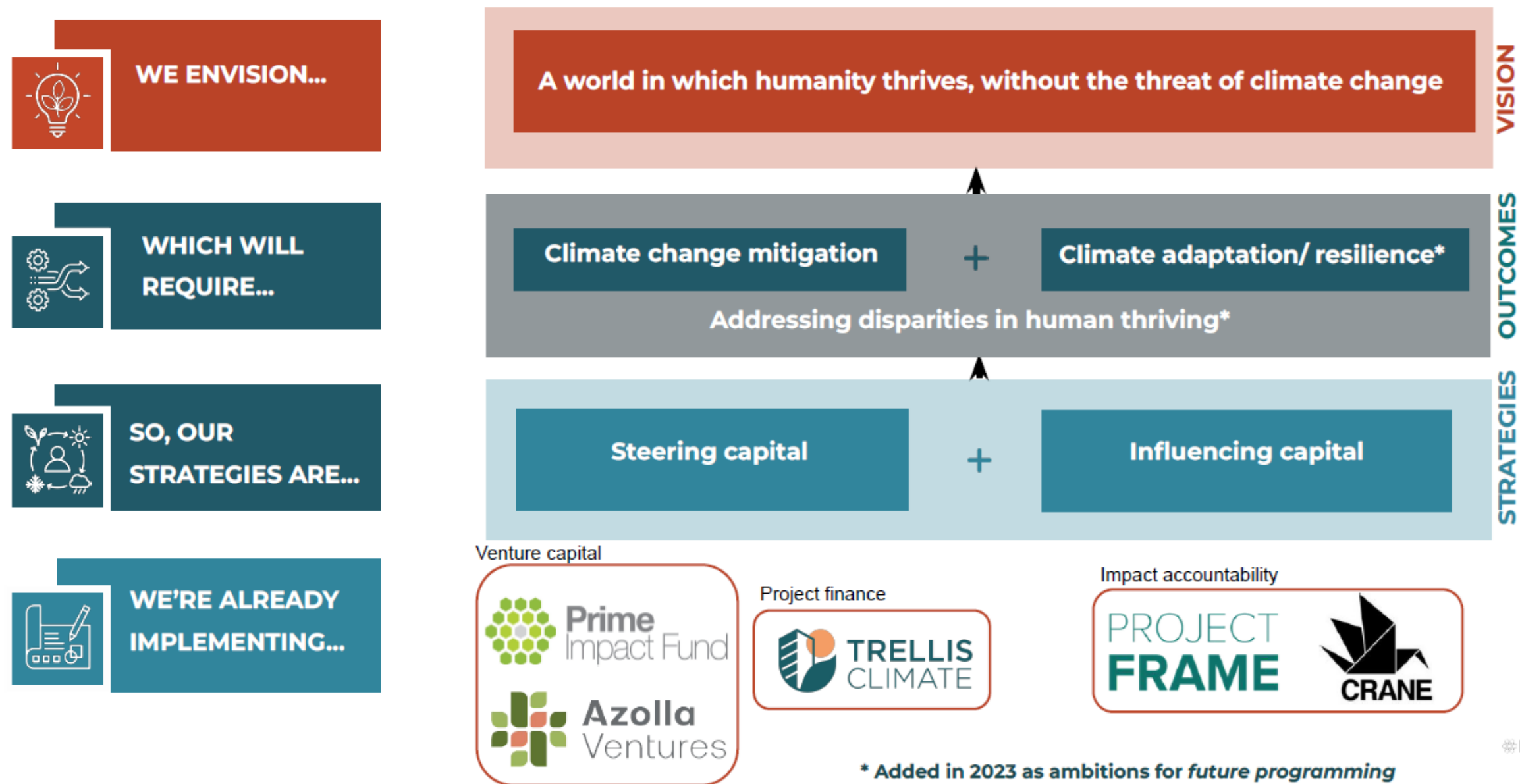
# Catalytic Capital for climate solutions

---

October 10, 2024

Impact Europe / C3 Webinar









# Prime's Points of Pride



**\$315MM**

Total catalytic capital mobilized towards climate solutions since inception



**90+**

First-time catalytic investors



**50+**

First-time energy or climate investors or grantors



**360+**

Partners with completed transactions since inception



**1,100+**

Downloads of Project Frame's pre-investment methodology since publication



**37**

Portfolio companies supported



**5,200+**

CRANE tool users in **89** countries



**\$670B**

AUM of Project Frame VC/PE members

# Catalytic Capital Intermediation Resources Library

- 32 files for download for free
- Templates for grants, recoverable grants, PRIs (to and from an intermediary nonprofit)
- Guidance on
  - creating a Theory of Change
  - substantiating capital gaps in science & engineering innovation
  - pre-investment impact & additionality diligence
  - post-investment impact tracking and reporting
  - additionality in theory and practice

# The barriers to deploying catalytic capital have evolved

## Educational

- What's a PRI?
- What's a recoverable grant?
- Why is commercial VC leaving behind important companies?
- Which industries/companies are most important to support?

## Operational

- How can I equip myself/my grantmaking team to behave like investors?
- How would PRIs/recoverable grants impact my DAF/foundation from an accounting standpoint?

## Regulatory

- What are my options for making sure I'm complying with tax rules?
- How can I possibly make a counter-factual additionality argument by myself?

## 2014

## 2024

- What are all the possible, important uses of my catalytic capital for climate?
- How can I connect with and co-invest with other catalytic capital providers so we can achieve meaningful scale together?
- How can we make sure the investment managers we support are and stay impact-prioritizing?
- What's the easiest pathway for me to deploy catalytic capital without incurring high legal fees and/or internal conflicts with other parts of my family office?



## Prime sees a seven-phase process of creating and operating catalytic capital funds



**PHASE 1:**  
Hypothesis



**PHASE 2:**  
Substantiation



**PHASE 3:**  
Design



**PHASE 4:**  
Construction



**PHASE 5:**  
Fundraising



**PHASE 6:**  
Implementation

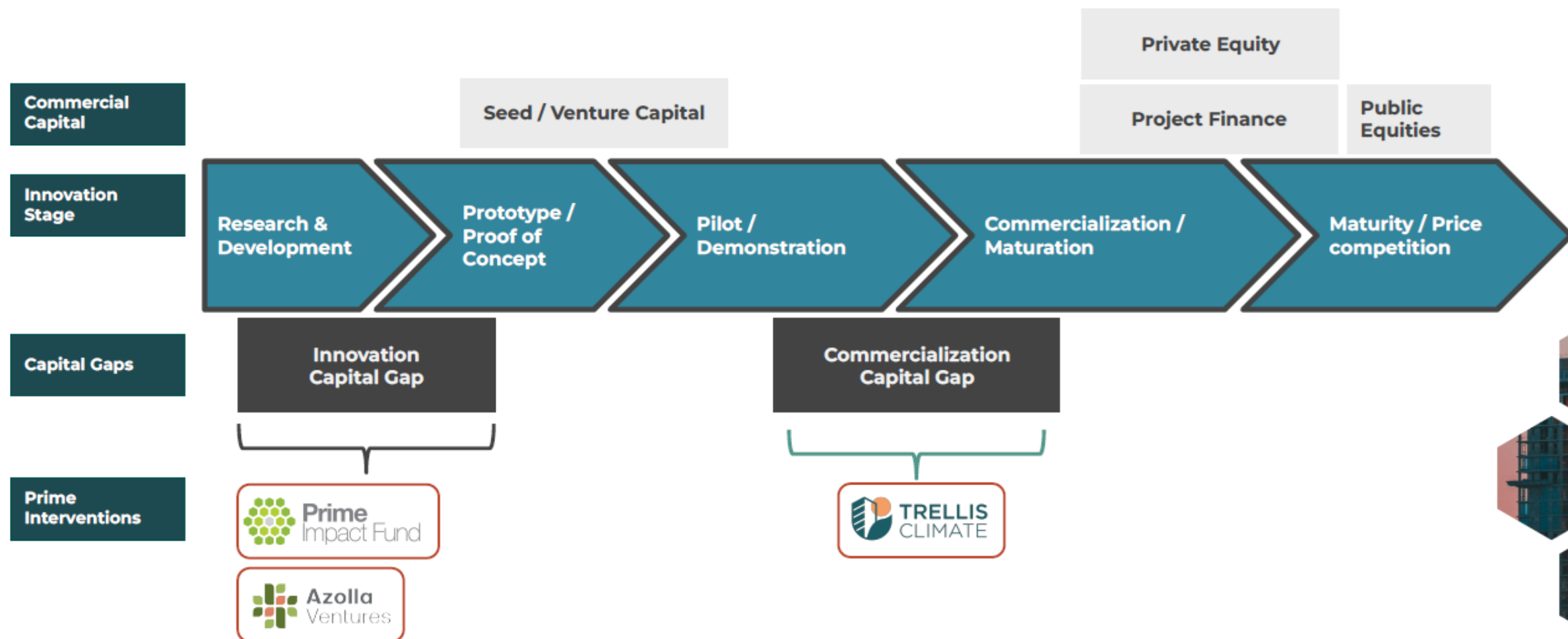


**PHASE 7:**  
Evaluation



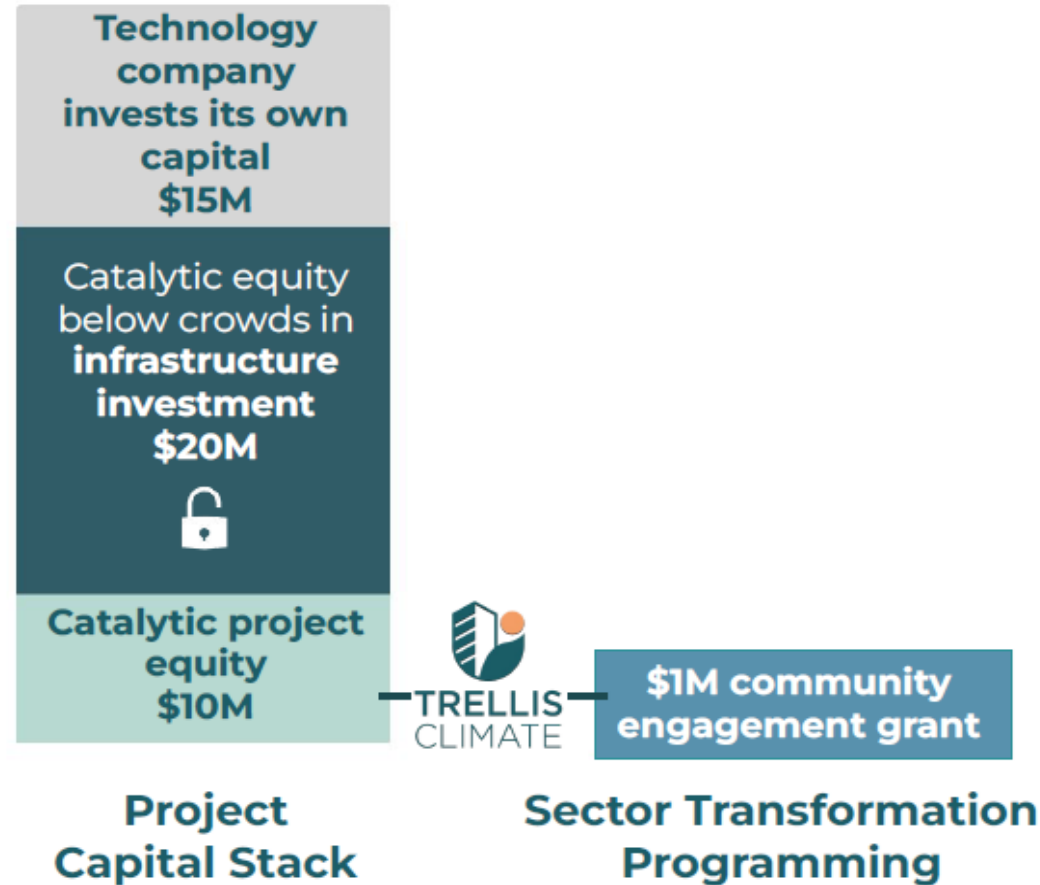
## INTRODUCING: TRELLIS CLIMATE

Trellis is the second investment team and fourth investment program that Prime has co-created





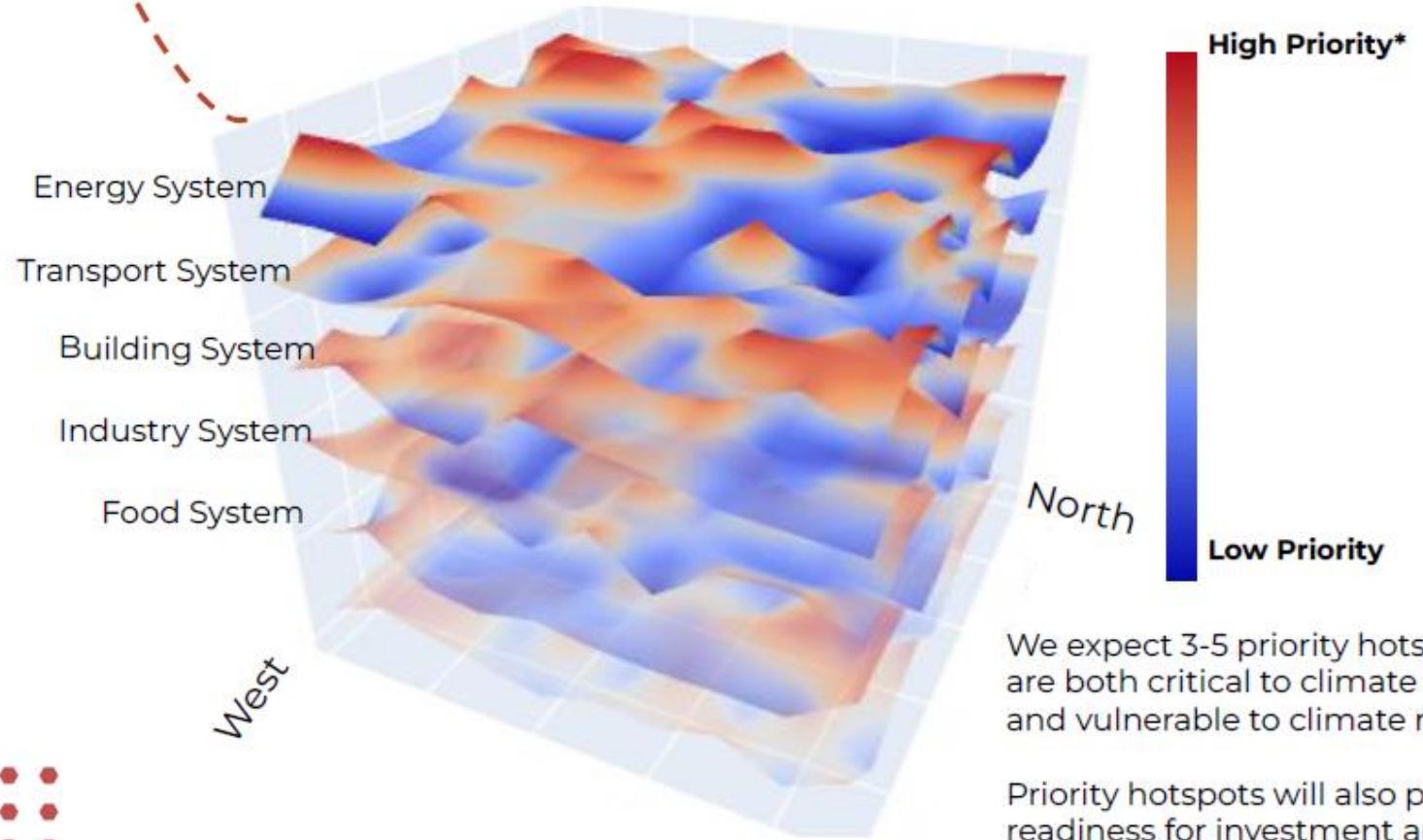
### Illustrative Project Unlocked by Catalytic Capital



We are conducting research to identify priority areas for future catalytic investment programming

As we expand to meet our strategic vision, Prime is open to catalytic investment across broad systems and geographies. Our Impact team is working to identify "hotspots" for targeted outreach.

**Hotspots** are a combination of **geography** and **nature-based or socio-technical system** where we believe climate action is most needed. We will connect with backbone organizations in these spaces to learn more about the needs and opportunities for systems change.



We expect 3-5 priority hotspots that are both critical to climate mitigation and vulnerable to climate risk.

Priority hotspots will also present high readiness for investment and opportunities to address disparities.

## NEXT STEPS

### Deploy catcap 2024-2025

Participate in Trellis  
Pilot with grants,  
recoverable grants or  
PRI loans

[sarah@primecoalition.org](mailto:sarah@primecoalition.org)

### Help us build the platform

Have a conversation  
with Graham Pelton  
about what's most  
difficult for you in  
deploying catalytic  
capital for climate

[meredith@grahampelton.com](mailto:meredith@grahampelton.com)

### Become a pilot partner

If you have a catalytic  
capital solution you  
already know you  
want to support, let's  
explore whether  
Prime can help

[claudia@primecoalition.org](mailto:claudia@primecoalition.org)







# **Catalytic capital investment as an enabler of affordable rental and cooperative housing**

**in Central and South-Eastern Europe**

**Presentation of research supported by the  
Catalytic Capital Consortium**

**Webinar: Maximizing Catalytic Capital's Leveraging Power**

**2024.10.09.**

# Motivation and rationale for the research

Coming from practice - serving practice:

- **unserved market:** proving the **target groups** beyond individual ownership + measuring their size and understanding their characteristics
- developing **new housing finance instruments:** understanding what would be needed + finding allies
- a **theory of change** for overcoming the current deadlock in rental and cooperative housing provision in the region
- **MOBA members + local research entities + HFH EME + ZEF**



***“The starting point of this research was a hypothesis that there is a significant demand for alternative rental solutions in the housing market.”***

# Consortium members

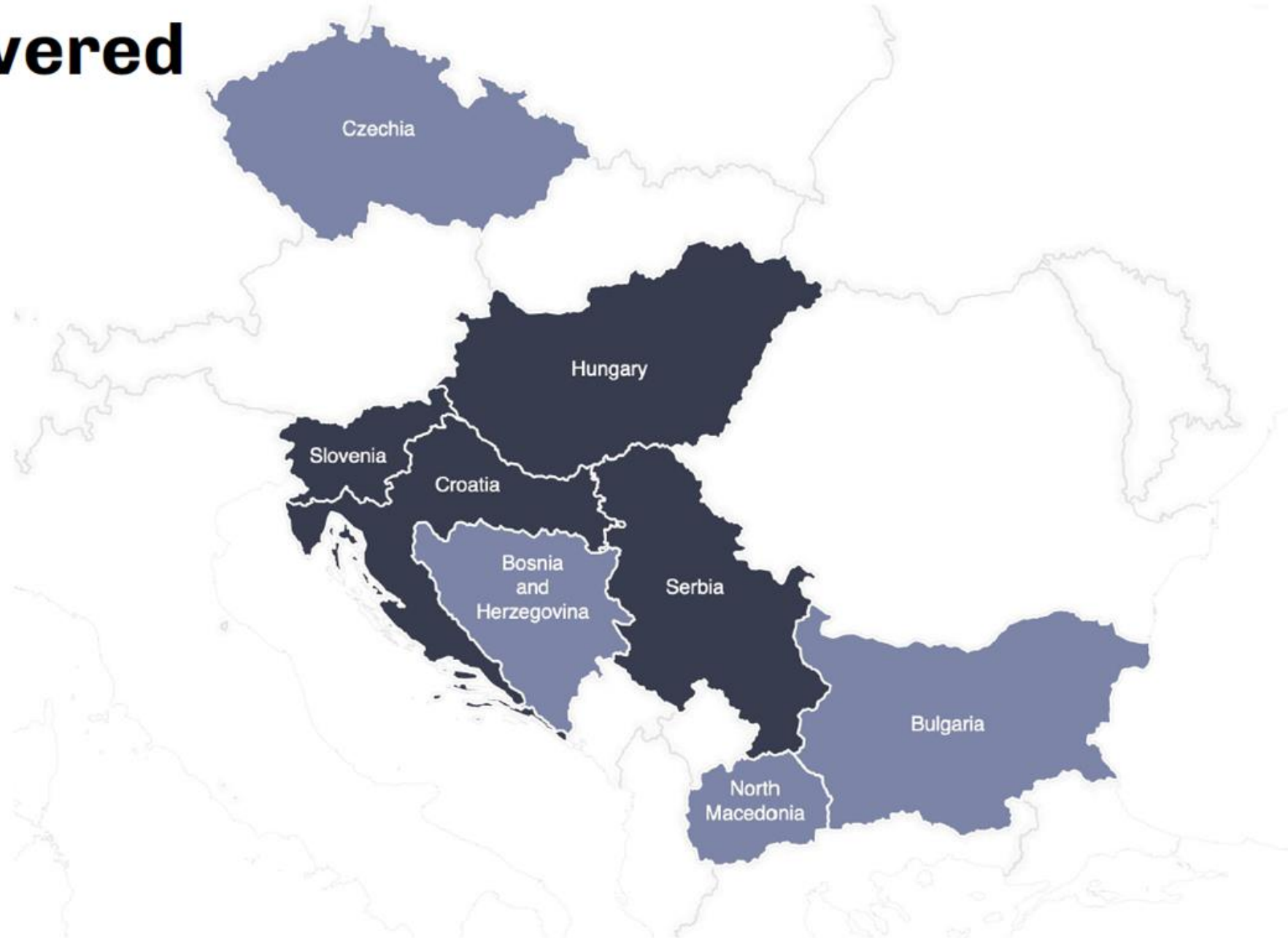




# Countries covered

Europe is not  
homogenous »

- relevance of focusing on the CSEE region
- specificities of the housing crisis
- institutional and financing gaps



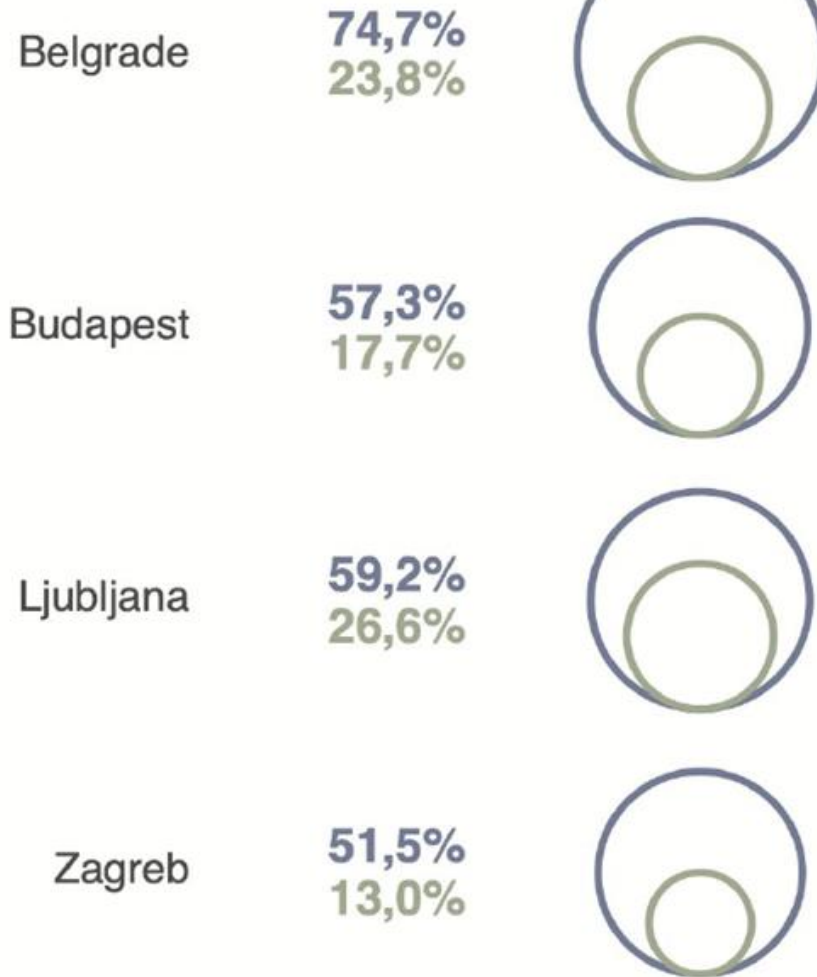




# Key learnings

## RATIO OF THE DEMAND GROUPS OUT OF THE TOTAL POPULATION IN THE FOUR CITIES

■ Wide Demand Group  
■ Narrow Demand Group



**There is a demonstrated need for new affordable housing solutions.**

### Filter questions - WDG:

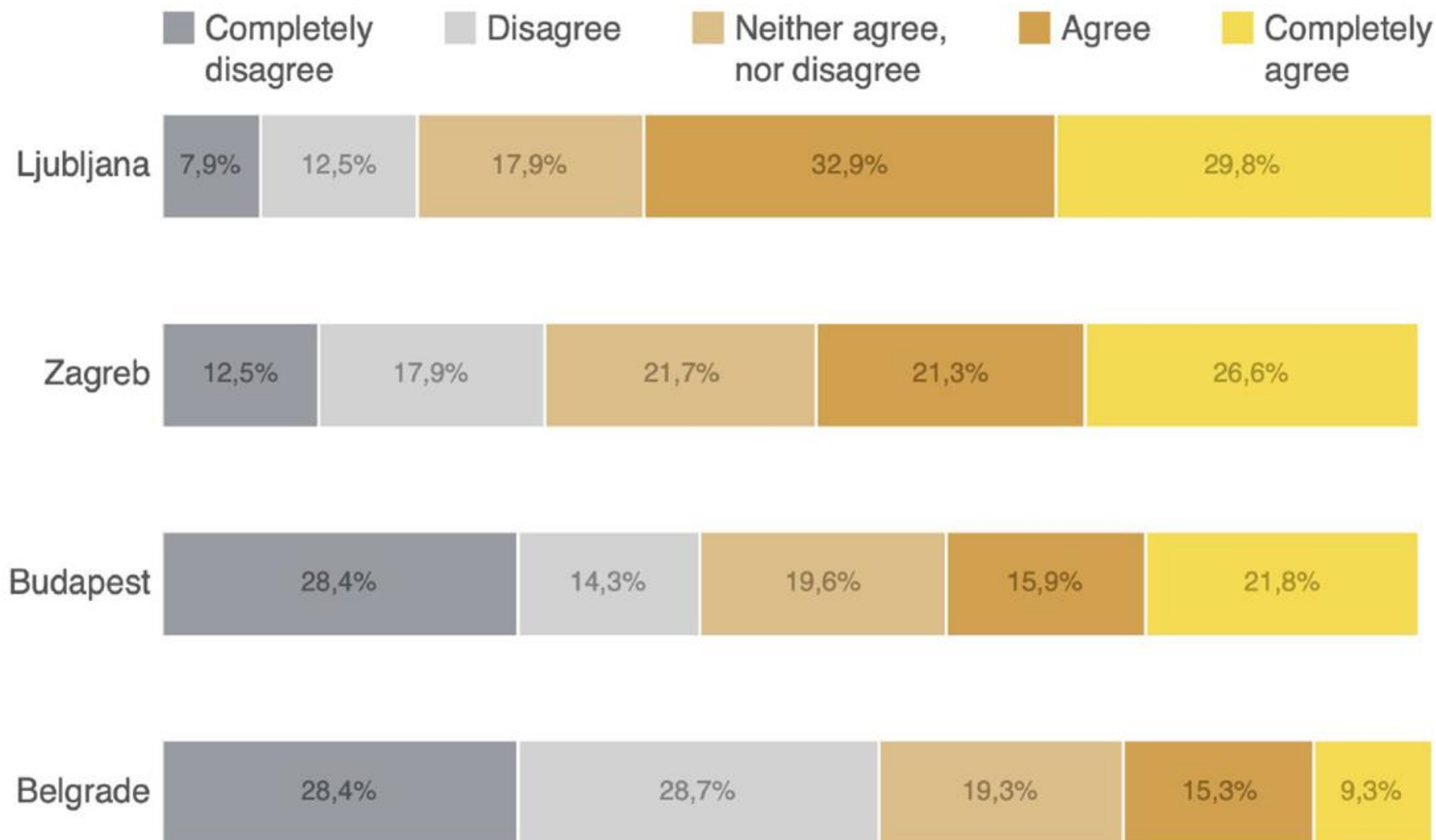
- The respondent was **not satisfied with their current housing situation**
- The respondent **worried about their housing situation** in the future (3 years from now)
- The respondent - or someone from the respondent's household - **wanted to move out** in the near future

### Filter questions - NDG:

- The respondent belongs to the **fourth or higher income decile**
- The respondent is **open to becoming long-term tenants** in secure, affordable rental housing models

## ATTITUDE TOWARDS AFFORDABLE RENTAL MODELS IN THE WIDE DEMAND GROUP

"If I had an option to rent a good apartment indefinitely for an affordable price and if my renter rights were protected, it would be a good solution to my housing problems/ambitions."



# Why is there no market response to this demand?

- **Lack of adequate housing finance instruments**
  - Long-term financing: only individual mortgages, restricted access
  - **Loans to companies only short term, for construction-and-sale**
  - High interest rates, fast turnover
  - Financial actors unwilling to be pioneers in the sector of long-term housing finance
- Lack of state support / participation
  - Public support only for homeownership
- Lack of institutional capacity





# **Catch 22 for breakthrough of affordable rental and cooperative housing in CSEE**

**Missing adequate patient financial instruments** (long-term, low interest rates).  
Financial institutions not willing to develop them as they don't see capable actors.

In lack thereof, **smaller-scale/new housing providers cannot scale up**  
They don't have access to patient finance. » **missing institutional capacity**



# How to go forward?

*Enabling the emerging market of rental and cooperative housing through catalytic capital investment.*

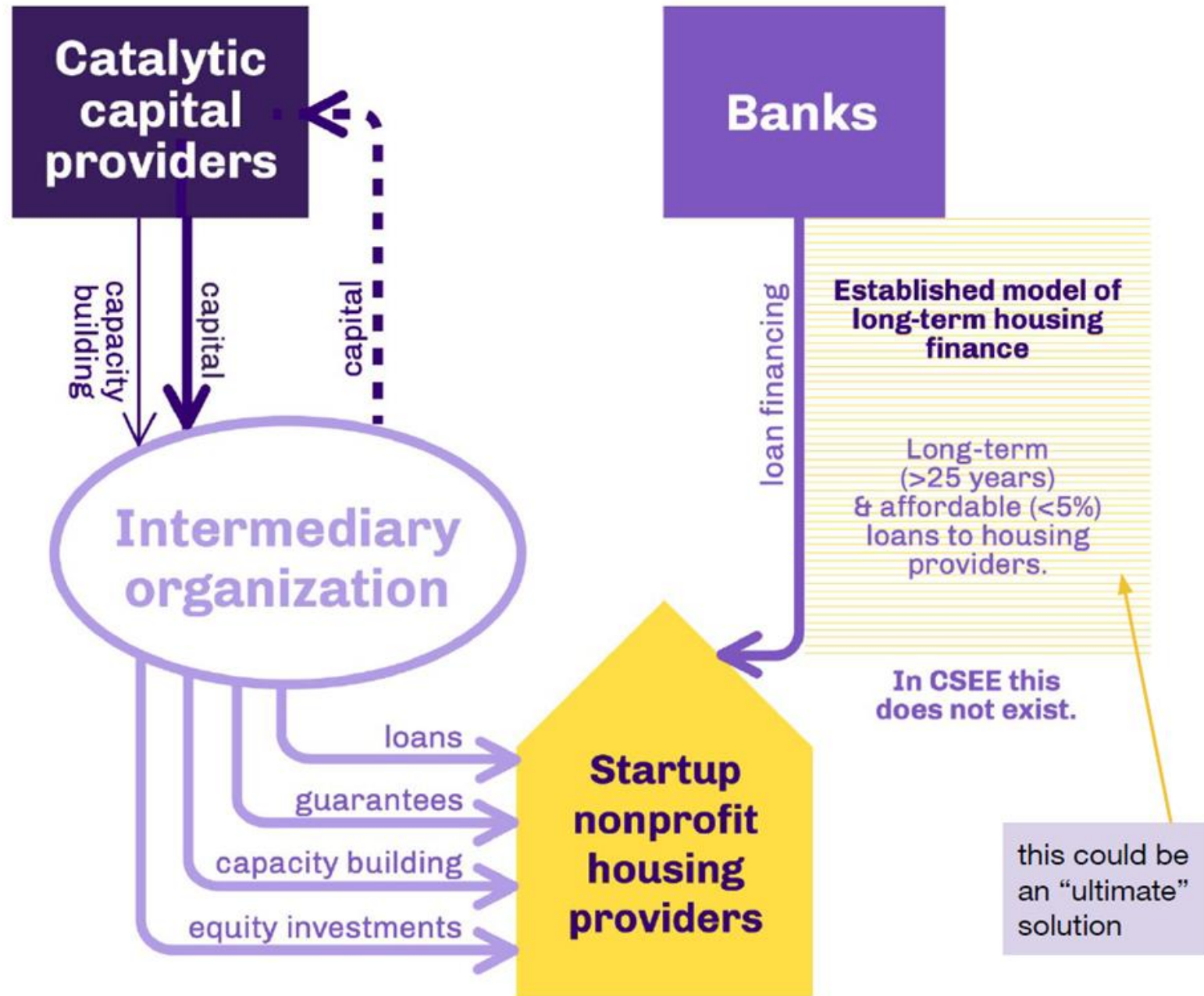


# Need for intermediaries

- **Collect and structure capital** and issue it to end beneficiaries
- **Channel catalytic capital** towards end beneficiaries (startup housing providers)
- Support them with **capacity development**

Since catalytic capital investors cannot engage directly with the startup housing providers.

**Question: what actors can realistically be the source of such capital?**



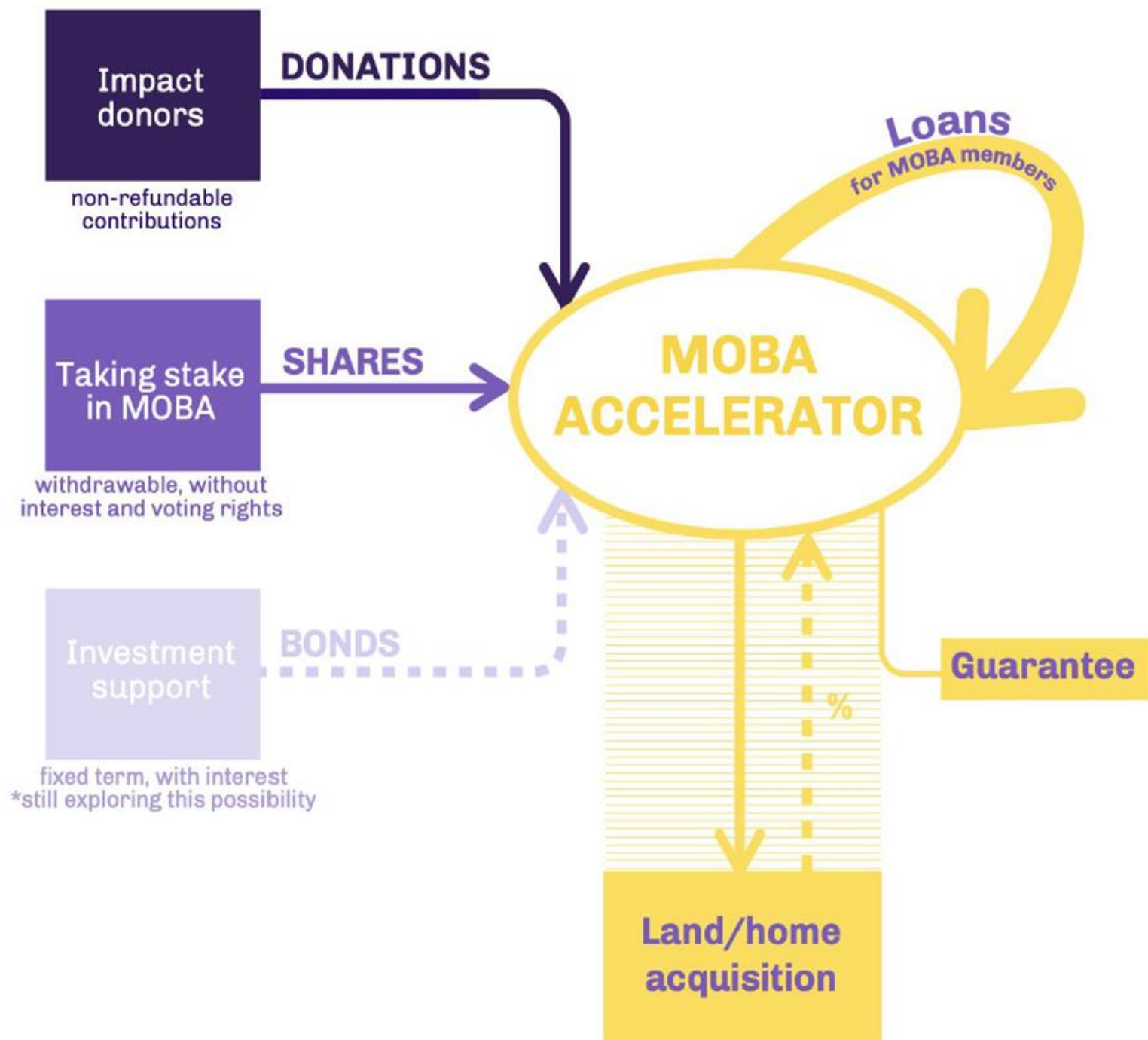


# MOBA Housing SCE as an intermediary organization and its Accelerator

<https://moba.coop/moba-accelerator/>

Currently MOBA is **working on bringing in 1 MIO EUR, within the next year**, and at least 5 MIO EUR in the next three years.

This would allow for a pool of pilot projects to get started. And with that to **open perspective on further diversification and innovation of the housing sector in CSEE.**





# MOBA Housing SCE

A regional network of pioneering housing cooperative initiatives

- Cooperative of cooperatives
- Incorporated in Croatia, operating transnationally

**Federating to overcome similar challenges together**

- Capacity building, support to local entities
- Financial intermediation as a main aim » setting up the **MOBA Accelerator**



# Role of CC in this sector: seeding, scaling or sustaining?

**Bridging the gap of missing long-term housing finance, through:**

- catalytic capital (beside loans)
- phasing
- intermediaries

**Phase 1**

Catalytic capital

Own capital

**Phase 2**

Catalytic capital

Bank loan

Own capital

**Phase 3**

Bank loan

Own capital

Bank loans can take on the financing of an increasingly large part of running housing projects.

Source: Own edit.

**BUT: affordable housing will always need affordable (patient) finance -**  
market-based financing will never be sufficient.

Role of CC: inspiring other actors to step into this field





# Thank you!

**Report available at:**

<https://www.periferiacenter.com/catalytic-capital-in-housing>

or

[www.moba.coop/catalytic-capital-investment/](http://www.moba.coop/catalytic-capital-investment/)

**Email contact:**

posfai.zsuzsanna@periferiacenter.com

**Websites**

[www.periferiacenter.com](http://www.periferiacenter.com)

[www.moba.coop](http://www.moba.coop)



# The Role of Catalytic Capital in Digital Credit Markets

**Successes, Pitfalls, and Lessons  
Learned**

CENTER for  
FINANCIAL  
INCLUSION

**ACCION**



# Financing a *handmade* revolution

How Catalytic Capital  
Can Jumpstart India's  
Cultural Economy

# The Impact Opportunity

## in Creative Manufacturing & Handmade (CMH)

Craft-led enterprises have the potential to build pathways that create dignified employment opportunities, greater inclusion for India's women, and positive climate action.



Source: Business of Handmade - 2nd Edition, 2023

# India's Handmade and Craft-led Enterprises (MSMEs) The Answer to India's \$5 Trillion Economy

*From Business of Handmade - Second Edition, 2023*



## Input Innovators

Early value-chain innovators creating new, sustainable input materials using upcycling + recycling methods



## Grassroots-to-Market-Nurturers

Nonprofits or social enterprises working with artisan clusters in rural India

## Process Enhancers

Tech-based disruptors looking to modernise a traditional system

## Online Aggregators

Online marketplace aggregators of artisan clusters, smaller and larger HCMs, and other brands

## Diginative Upstarts

New-age enterprises that build differentiated, scalable, online brands leveraging social commerce



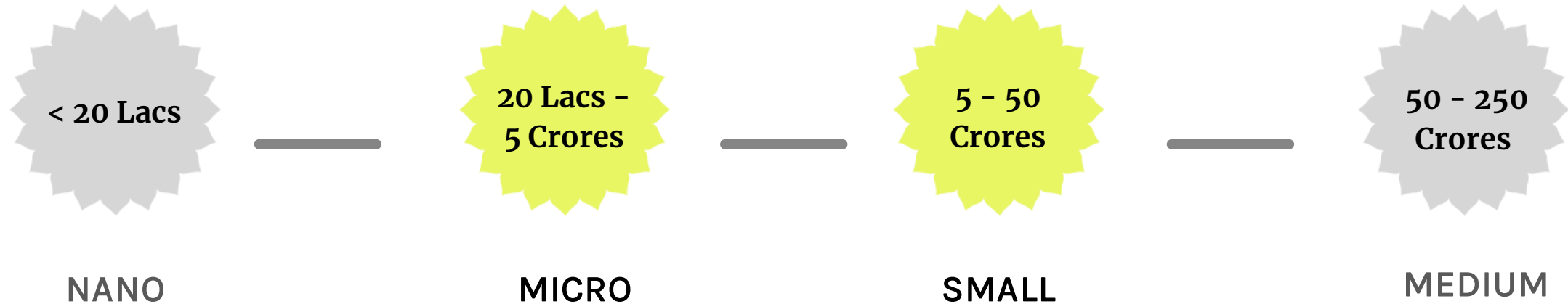
## Lifestyle Curators

Premium / high-end conscious luxury brands catering to a smaller, more discerning market

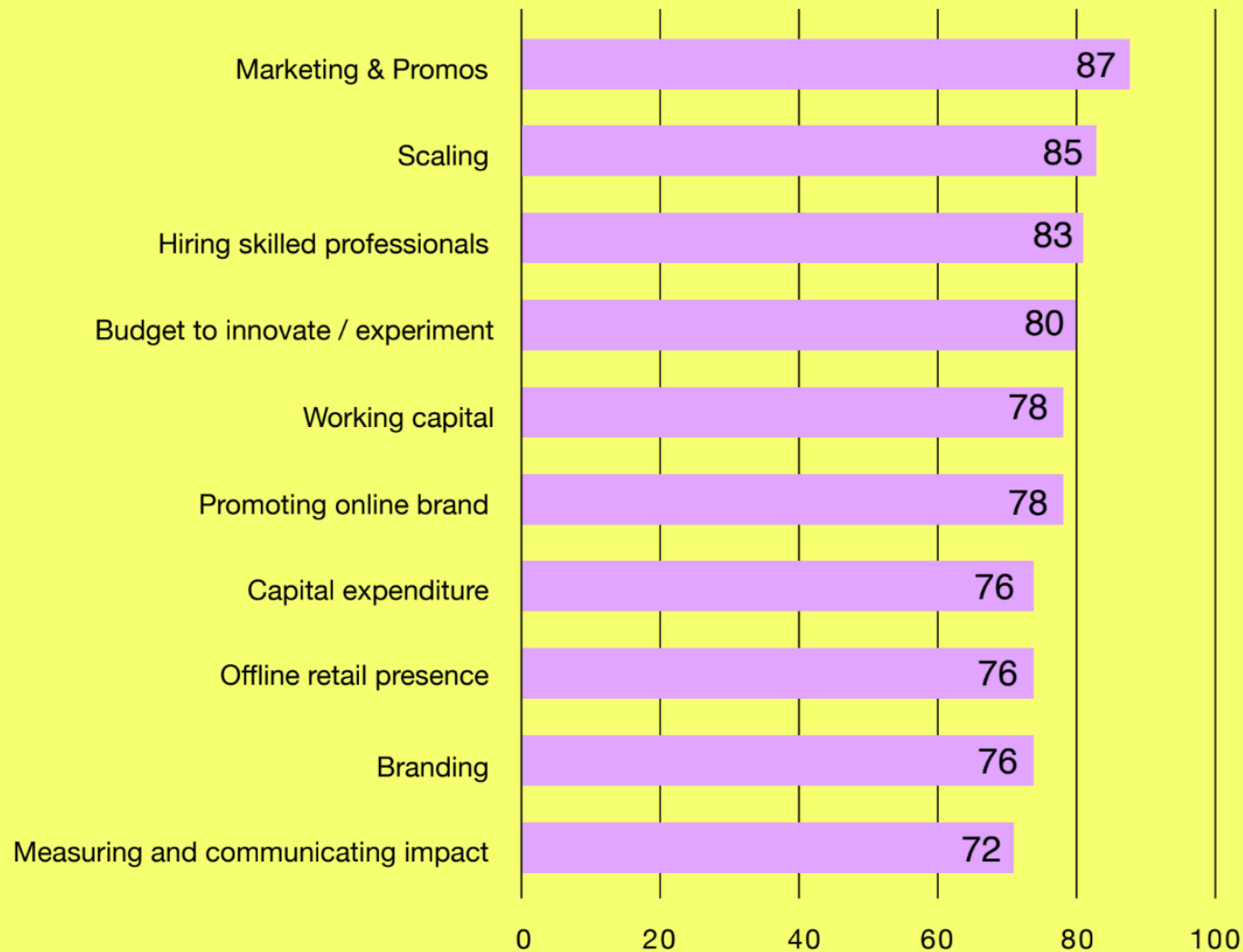


# The Craft-led MSME Financing Gap

*Turnover*



# Where is Capital Needed?



A retail-led sector with  
unique needs and challenges

# Snapshot of Barriers to Financing



## Myth #5: Attitudes and values are not relevant to the discussion of capital gaps.

“...In India, mainstream investors’ inability to accept differing norms in working patterns in artisan producer communities —such as work flowing around family and community priorities (such as religious observances) rather than the other way around, and distributed methods of productions and management in homes rather than in conventional factories—is a key factor leading to a lack of investment in impact enterprises working with those communities....”

Harvey Koh, Senior Advisor, C3 Grantmaking  
5 Myths Preventing Catalytic Capital From Going Where It’s Needed,  
Stanford Social Innovation Review, January 2024.

**#thoughtfortheday**

# Panel Discussion

EVPA is now **Impact Europe**  
*The* Investing for Impact Network





# Our Speakers

**Urmi Sengupta**

Field Support Manager & Senior Impact Investments Officer Impact Investments, MacArthur Foundation  
Chair, Project Advisory Board, Catalytic Capital Consortium Grantmaking

**Michael Brown**

Impact Finance Research Consortium & Head of Research at the ESG Initiative at the Wharton School

**Sarah Kearney**

Executive Director  
Prime Coalition

**Priya Krishnamoorthy**

Founder and CEO  
200 Million Artisans

**Jayshree Venkatesan**

Senior Research Director, Consumer Protection & Responsible Finance  
Accion/ Center for Financial Inclusion

**Zsuzsanna Pósfai**

Co-founder  
Periféria Policy and Research Center

***The*** Investing for Impact Network



# Time for your questions!

EVPA is now **Impact Europe**  
*The* Investing for Impact Network



# Final takeaways



## **Urmi Sengupta**

Field Support Manager & Senior Impact  
Investments Officer Impact Investments,  
MacArthur Foundation  
Chair, Project Advisory Board, Catalytic Capital  
Consortium Grantmaking

***The*** Investing for Impact Network



# Thank you

Continue the conversation at Impact Week, Bilbao.

The gathering for European investors for impact.

Nov 2024 - Tickets available now!



***The*** Investing for Impact Network

