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LEARNING CIRCLE SESSION 1

Catalytic Capital in Practice:
De-risking Innovative Ventures

Featured Practitioner:

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KEY TAKEAWAYS

I. CATALYTIC CAPITAL BRIDGES THE GAP BETWEEN INNOVATION AND INVESTMENT

In early-stage ventures such as clean cookstove and water purification projects, traditional investors are often reluctant to fund unproven models. Catalytic capital which could be sourced from grants, CSR funds, or philanthropic sources, plays a crucial role in de-risking these innovations.

It supports concept design, pilot implementation, and initial operations until there is demonstrable market demand or revenue (e.g., from carbon credit sales). Once the project's viability and social impact are proven, it becomes easier to attract commercial or impact investors, effectively multiplying the initial catalytic funding's impact by 10x or more.

II. FLEXIBLE FINANCING MODELS ALIGN RETURNS WITH SOCIAL IMPACT

Investor expectations and profit-sharing mechanisms differ depending on the project's goals and maturity. Some investors choose debt-based structures with capped returns, while others take on equity risk, sharing in profits after recovery. For deeply social projects, repayment may be slower or partly non-financial, reflecting the community benefit focus. This flexibility allows catalytic funders to balance financial sustainability with social and environmental outcomes, ensuring that projects can remain community-driven while still attracting follow-on investment. This balanced, practical approach is becoming more common, as funders shift from seeking single "silver bullet" solutions towards supporting portfolios of smaller, localised interventions.

III. CATALYTIC CAPITAL SHOULD UNLOCK MARKETS NOT REPLACE THEM

Catalytic capital should be temporary and strategic. It exists to build functioning markets, not to subsidise them indefinitely. Its purpose is to correct market failures (e.g., lack of data, high perceived risk, or missing infrastructure) so that private capital can eventually flow independently. To achieve this, funders must plan for clear exits, share learnings (including failures), and focus on market-enabling investments, and embrace a culture shift from funding entire programmes to funding strategically.. Once the "commercial engine" is running, catalytic capital can withdraw, freeing resources for other innovations.