

LEARNING CIRCLE SESSION 2

Catalytic Capital in Practice: Lessons from the Frontlines

Featured Practitioner:

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KEY TAKEAWAYS

I. PATIENT, CONTEXT-RESPONSIVE CAPITAL IS CRITICAL FOR SCALABLE AND SUSTAINABLE IMPACT

Social enterprises tackling systemic issues—such as housing, recycling, and food waste—often require 7–10 years to mature. They also struggle to replicate models across borders due to regulatory complexity and local market nuances. Effective catalytic capital requires patient timelines and account for localisation costs, not just replication potential.

II. INNOVATIVE FINANCING TOOLS AND IMPACT-FIRST PHILANTHROPY CAN UNLOCK COMMERCIAL CAPITAL

Revenue-based convertible loans, evergreen funds, and private placement bonds are emerging as flexible solutions for early-stage enterprises that do not fit traditional equity or debt models. When philanthropy absorbs early risk (e.g., proof of concept), it creates an “impact multiplier effect,” paving the way for commercial investors to enter later at scale.

III. PHILANTHROPY'S SHIFT TOWARD CATALYTIC CAPITAL REMAINS SLOW DUE TO STRUCTURAL AND CULTURAL BARRIERS

There's an interest among philanthropists to deploy catalytic capital; however, where there is reluctance, it is usually because some remain constrained by legal limits allowing only grant-making, have conservative boards unfamiliar with impact investing, or feel discomfort with models where grants may benefit for-profit entities. As a result, the uptake of catalytic capital remains cautious despite its strong potential to drive significant impact.

IV. EARLY ALIGNMENT ON EXIT EXPECTATIONS IS ESSENTIAL TO AVOID LONG-TERM FRICTION

Catalytic capital deals often bring together investors with different return expectations—from capital recovery to 3–5× returns—even though entrepreneurs may prefer early buyback. Without upfront agreement on exit pathways, these differences can create tension, slow decision-making, and limit long-term impact.