Source of Capital

Philanthropy, Private Donors, and Impact Investors

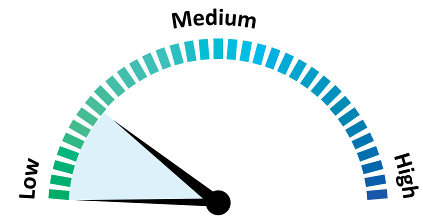
Type Of Entity	Impact Investors, Philanthropy, and Foundations
Investment Stage	Depends on strategy, from early to late
Impact	Prioritize social, economic, and environmental impact and crowding in private capital
Instrument	Grants and commercial or concessional debt
Supplier Of Concessional Capital	YES NO

Description

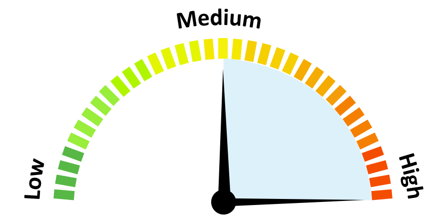
Private philanthropies, impact investors and private donors often provide capital in the form of grants or concessional funding, with an investment goal of achieving social, climate/environmental, or other sustainability impacts in addition to economic returns.

Philanthropic, private donors and impact investors provide valuable risk bearing capital, but globally in smaller volumes than other investors. Even when making return-seeking investments, their funding is able to bear higher risks and require lower returns because of the impact-driven objectives of their investing. Funding provided by philanthropies and donors can be non-grant, for example equity or debt through programme or mission related investments. Between 2019 and 2020, private philanthropy for climate action grew from less than US$1 billion to more than US$1.6 billion.[1]

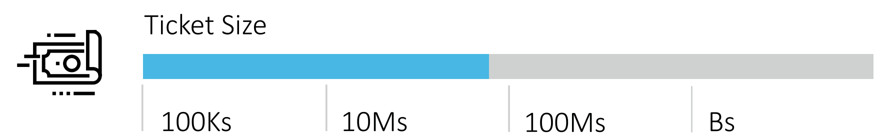
1 OECD, Private philanthropy for development SDG13: Climate Action..
https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/beyond-oda-foundations.htm



Relative Return Requirement



Relative Risk Appetite



Recommended Actions By Key Source Of Capital

Some suggestions for what Philanthropy, Private Donors and Impact Investors can do more of to enhance Just Financing outcomes include:

- Ensure that all investments are aligned with Just Financing Principles and integrate/mainstream into funding strategies objectives that ensure the most vulnerable countries and communities have access to funding.
- Work with and catalyze other forms of capital, and where needed invest in activities that other forms of capital may be less able to invest in, such as project preparation, capacity building, to ensure that low-carbon, climate resilient investments are realized.
- Provide investment towards climate-related enterprises that can “fill gaps” in the ecosystem of finance, such as seed and angel investment capital in order to help build a pipeline of investment for other private investors, such as VC, P/E and debt providers.
- Be pragmatic about supporting technology that decarbonises emissions intense industries and fossil fuels and willing to take technology risk.
- Increase allocations to developing and emerging economies aimed at supporting adaptation, resilience, as well as loss and damage.