

## RESEARCH ON GROWING THE SUPPLY OF CATALYTIC CAPITAL IN THE UK

### Invitation to tender

The Social Impact Investors Group (hosted by ACF), the Access Foundation and Big Society Capital are interested to explore the scale and impact of catalytic capital investment in the UK in order to grow the supply of such capital for the growth of the social economy.

The Catalytic Capital project is a sector-led initiative that is looking at how more catalytic capital (investment capital that is patient, risk-tolerant, concessionary, and flexible) can be unlocked in the UK to support the growth of social impact. It will involve various sector stakeholders coming together to identify the blockers to catalytic capital being unlocked by different investor groups and put forward recommendations and solutions that can support the growth of this market. It will look at this in relation to a number of investment groups such as trusts & foundations, corporate foundations, high-net worth individuals, family offices and government.

The project will look to start by conducting an evidence-based research report on catalytic capital, leading to a programme of work to develop solutions and support the growth of the UK catalytic capital market.

**We are looking for a researcher or research organisation to produce a piece of market analysis over a three-month period exploring this question.**

### Background

Big Society Capital (BSC) is the leading financial institution dedicated to social impact investment in the UK. The Access Foundation is a foundation that works to make charities and social enterprises in England more financially resilient and self-reliant. The Social Impact Investors Group (SIIG) is a network of foundations interested in starting or currently undertaking social impact investing convened by the Association of Charitable Foundations.

Big Society Capital, the Access Foundation and the SIIG are interested to explore the scale and impact of catalytic capital investment in the UK in order to grow the supply of such capital for the growth of the social economy.

The project will look to start by conducting an evidence-based research report on catalytic capital. The project will be using the [MacArthur definition of catalytic capital](#):

*“Catalytic capital—investment capital that is patient, risk-tolerant, concessionary, and flexible—is an essential tool to support impact-driven enterprises and organizations that lack access to capital on suitable terms through the conventional marketplace. The aim of catalytic capital is to unlock impact and additional investment that would not otherwise be possible, strengthening communities, expanding opportunity and economic growth, and fuelling innovation that advances the well-being of people and the planet, while laying the groundwork for mainstream investors to participate in transformative investments.”*

The basis for the approach will incorporate (but not be restricted to) the aspects of catalytic capital that incorporate the below:

- Patient investment approaches that are typically a minimum 5-10 years in term
- Risk tolerant - willing to lose all or some of capital invested
- Concessionary - willing to receive lower or unproven risk adjusted returns to achieve desired impact

- Flexible - the use of financial instruments that offer flexibility in terms of repayment and can adjust accordingly to the financial performance of social organisations

**What is the scale and impact of catalytic capital investment in the UK and what can be done to grow the supply of such capital for the growth of the social economy?**

**We are looking for a researcher or research organisation to produce a piece of market analysis over a three-month period exploring this question.**

### **Aims of the research report**

The first phase of the project will focus on conducting an evidence-based research into catalytic capital in the UK looking back over the last **ten years** to map its developments and usages. The work conducted in this phase is intended to capture the entirety of the UK catalytic capital sector including areas where progress has been nascent, these areas include:

- Trusts & foundations
- Family offices
- Corporates & Corporate Foundations
- High-net worth individuals
- Government (which also includes the role of Big Society Capital and Access Foundation)

The proposed work would look to assess, analyse, and summarise existing work in the sector which will include looking at initiatives such as (**but not limited to**):

- Shift and Flip Finance's report on equity-like capital
- The Adebowale Commission review on social investment
- Use of subsidy to enable catalytic capital (successes and failures)
- Social Spider's to be released report on the history of UK social investment
- Access Foundations learnings on blended finance
- National Lottery Community Fund's experience in provision of blended finance
- Quadrennial reviews of Big Society Capital and Access
- The work and learnings of the SIIG
- Best practice and learning from outside of the social investment sector such as Fair by Design learning from engaging with user voice or the work undertaken by Fair 4 All in actively looking at what they can learn from the commercial credit space to apply to the affordable credit market
- Specific product development such as the impact linked finance work carried out by Esmée Fairbairn Foundation & Investing for Good
- Looking at best practise and relevant catalytic capital approaches from different countries including the [Tideline Report on catalytic capital](#)

**The research report is intended to capture various existing initiatives with the aim of bringing these together to address the below points:**

The role of catalytic capital in the UK to date

- What have been the different usages of catalytic capital in the UK to date? We assume that this will incorporate the diverse nature of this funding – investment capital that is concessionary, flexible investment products, guarantees and the use of grant funding as subsidy.
- How has catalytic capital been used to advance the social impact investment sector in the UK?
- Development of case studies of where catalytic capital has been used successfully as well as learnings on where it has failed or not achieved expected outcomes as well as identifying the situational aspects and context that have led to these outcomes. Where relevant, case studies around environmental as well as social impact could be included, though the main focus of the research is on social impact.
- What have been the main policy advancements relating to catalytic capital in the UK?

What is the shape & size of the current catalytic capital market in the UK?

- Who are the main players in this space (analysed by investor type and market size) and how does this all map together?
- What are existing social investors' views on catalytic capital?
- What are the current numbers in terms of the amount of new investment that catalytic capital has helped unlock?
- Learnings and experiences from the private sector/quasi-governmental bodies

What are the barriers to unlocking more catalytic capital here in the UK?

- Identifying the current barriers to more catalytic capital being deployed by trusts & foundations, family offices, corporates & corporate foundations, high-net worth individuals & government
- The role of government and large stakeholders such as Big Society Capital & Access Foundation in opening up more catalytic capital in the UK
- What are the resources that exist in order to support the development of catalytic capital holders in the UK to deploy more of this type of funding? What motivates capital holders to deploy catalytic capital?

The experience of catalytic capital outside the UK

- What are the learnings from outside the UK in how catalytic capital has been successfully unlocked to support social change?
- Case studies on international catalytic capital in relation to the five investor groups this report is looking to cover
- What regulatory or sector developments have needed to be in place outside of the UK in order to unlock catalytic capital?

Catalytic capital from the perspective of social organisations and the demand side

- What is not working for investees with existing provisions of social investment and what role can catalytic capital play in addressing this??

- Which aspects of catalytic capital have the largest transformative effects from the perspective of investees?
- Are there any examples of catalytic financial instruments which have been effective and which social organisations would like to see more of?
- What are the experiences and views of diverse audiences that receive investment and how those feed into the need for catalytic capital?

### Emerging trends

- What are the current trends that could influence the growth and usages of catalytic capital (such as the need to promote equality & diversity, developing investment products with a clear user voice and the need for more equitable financial instruments to support social change)?
- Are any emerging social and environmental issues which are likely to require significant volume of catalytic capital?
- What would be the end goal in growing this market in the UK further and is there a need to define a more UK centric definition of catalytic capital?

### **Linkages to other initiatives**

The Catalytic Capital initiative will ensure it remains connected with any other related initiatives in the sector such as the work led by Beacon Collaborative is leading to uncover the specific barriers to **HNW Individuals in Impact Investing**. Both projects dovetail with each other, with one looking at the type of capital, the other looking at type of investor.

### **Outputs**

A presentation/report summarising the findings and recommendations from the research period.

### **Timings**

Please submit an Expression of Interest by **5pm Wednesday 13<sup>th</sup> October 2021**.

We'll be inviting shortlisted candidates for interview by 29<sup>th</sup> October 2021.

Provisional timings for the research are between 15<sup>th</sup> November 2021 and 13<sup>th</sup> February 2022.

Final research report expected by no later than 28 February 2022.

The Catalytic Capital Steering group will engage with key findings and recommendations, brainstorm solutions and further activities and disseminate these through different networks.

### **Budget**

This phase of the project has a £30,000 budget for the research report phase (including VAT), with the potential for additional funding to cover costs of accessing specific datasets (if required), providing further analysis and to engage more partners. The initial budget will cover the delivery of two pieces of work:

- Conduct desk-based research report in line with the objectives of the overall project
- Develop report that will deliver key findings and recommendations

## **Partner**

We are looking for a research partner who can demonstrate ability to rapidly undertake sector level research around market size, segmentation, gaps. Ideally, we are looking for a partner with experience in and an understanding of social enterprise and mission-driven business. We would look to prioritise those that have experience of working in the catalytic capital sector, are able to bring together different approaches across the sector and have the ability to work and engage with multiple stakeholders.

## **Expression of Interest (Eoi)**

Eois should be less than 5 A4 pages (incl. appendixes) and include:

- Your proposed methodology
- Details of your organisation
- Details of the staff team who will be working directly on this project
- Any additional or alternative research questions or approaches you feel appropriate
- Evidence of recent and relevant experience
- A detailed budget and if needs be details of where you will focus the research report should there be a constraint due to the budget amount of £30k (inc VAT) for this work
- Details of 2 recent referees who are willing to be contacted regarding work you have completed on their behalf

## **Contact**

Please send Expressions of Interest to Amir Rizwan ([arizwan@bigsocietycapital.com](mailto:arizwan@bigsocietycapital.com)) and Gail Cunningham ([gail@acf.org.uk](mailto:gail@acf.org.uk)) and also if you have any questions please get in touch with both of these individuals.

## Notes

Big Society Capital (BSC) – BSC exists to improve the lives of people in the UK through investment with a sustainable return. We are the leading social impact-led investor, restless for change. Working with expert partners, we seek to understand people’s needs first. Then, using our knowledge and capital, we collaborate and invest with fund managers who also want to create a better, sustainable future. They, and the social enterprises and charities they invest in, create the impact. Our role is to bring the most relevant experts from our network to the table, generating ideas and connecting capital to where it’s most needed.

Access Foundation - Access - The Foundation for Social Investment – works to make charities and social enterprises in England more financially resilient and self-reliant, so that they can sustain or increase their impact. They do this through supporting the development of enterprise activity to grow and diversify income, and improving access to the social investment which can help stimulate that enterprise activity.

Social Impact Investors Group (SIIG) - exists to support foundations interested in starting or currently undertaking social impact investing. Membership is open to foundations and to organisations with a charitable or social mission with investible assets. The SIIG has been operating informally since 2011 and been convened since April 2018 by the Association of Charitable Foundations (ACF), the membership body for UK foundations and grant-making charities. ACF’s 400 members collectively hold assets of around £50bn and give over £2.5bn annually. The SIIG has an active volunteer Steering Group, including representatives from Esmée Fairbairn Foundation, City Bridge Trust, Big Society Capital, Bank Workers Charity, Joseph Rowntree Foundation, Barrow Cadbury Trust, The Clothworkers’ Foundation, Treebeard Trust and Trust for London.