Mainstreaming Philanthropic Funding in Development Financing

Bali, 6 September 2022. The post-pandemic SDG Financing Gap is estimated to be 4.2 trillion USD, with resources being diverted to address the covid-19 pandemic, along with numerous global crises. There is an urgent need to grow the pool of capital available to address SDGs. It is in this context that philanthropic capital can play a significant role. Strategic or catalytic philanthropy are approaches to giving that attempt at bringing about transformational change and highlight the powerful role that philanthropists can play when they come together with traditional development actors such as multilateral development banks (MDBs), development finance institutions (DFIs) and governments to develop structured, collaborative and systemic approaches that address the root causes of the key issues at hand. Task Force 9, T20 Indonesia, hosted by the Institute for Economic and Social Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) held a webinar parallel session at T20 Summit entitled "Mainstreaming Philanthropic Funding in Development Financing".

The session was opened by the chair, Tristan Ace, Chief Program Officer of Asian Venture Philanthropy Network (AVPN). He pointed out that recently, traditional development funding is moving towards emergency issues such as the pandemic and Russia-Ukraine war. Thus, there is a need to look at how we can mobilize more capital to address some of the development challenges. In that context, we need to explore the role of philanthropic capital and the different functions that it can play. Tristan also described in his opening speech three major challenges that are limiting philanthropists from maximizing their impact: "nonprofit starvation cycle", the idea of funding long-term systems change, and hesitancy amongst philanthropists to deploy their capital in a catalytic fashion (first loss capital).

Simon Chadwick, Chief Impact Investment Officer of Akaria Capital, shared how Akaria Capital works, with a collaborative model between the private sector and major philanthropists. Akaria Capital has a goal to move capital at scale to fund natural climate solutions. He said that natural climate solutions were able to contribute about 37% of the solution to limit climate change, where natural assets could also provide the best-longest form of carbon offset. "Given the development in the markets recently, you can view natural capital solutions (NCS) or a nature-based solutions project as an investable asset”, said Simon. Simon explained how investment in NCS, which was initially only financed by institutions like philanthropy, has now begun to be financed by investors. Simon then illustrated the scheme of how companies can invest in NCS, through various financial instruments. When investing in NCS, investors will expect returns in the form of impacts, while also getting financial returns by proving those impacts through issuing carbon credits. This investment scheme, in addition to providing impact, is also sustainable in a sense that it provides financial returns, including the fund that will have provided all the initial capital for the project.

Ariane Santos shared her insights on how philanthropic work supports the company and how tech companies play a role in philanthropic funding. As the company there are three parts that relate to sustainability; in 2017, Google was the first company to match the annual electricity consumption with the renewable energy purchases. In 2020, to operate 24/7 carbon free by 2030. "We aim to deliver every search and email without emitting carbon. We would also like to enable others to do the same thing through sharing our methodology and practical methods with others, because we believe that it will have a huge impact if we do it together", Ariane said. Google does it through the google philanthropic arm, by providing skill based volunteering to the sector, providing tech solutions through product and services, and through philanthropic funding. The combination of those three are, according to Ariane, important to fill the gap.

Douglas Midland, Managing Director of the US Development Financial Corporation (DFC), shared his aim to bridge the social capital to support the project scale business as there is a lot of liquidity outside but less of
the implemented project. DFC supports public-sector projects that address critical development issues such as energy transition. DFC measures the development impact in local communities through job creation and economic growth. In supporting projects, DFC focuses on the commercial viability of projects in order to ensure long-term sustainability. So that, once the project's capital is deployed, it can continue to deliver the impact that DFC seeks.