PURPOSEFUL CAPITAL:

Exploring Philanthropic Perspectives in India's Blended Finance Landscape

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INDIAN SCHOOL OF
DEVELOPMENT MANAGEMENT

Foreword

Blended finance has emerged as one of the most promising and powerful approaches we have today to mobilise capital toward solving some of the world's most persistent and complex social challenges. By strategically combining public, private, and philanthropic resources, blended finance unlocks new pools of funding that can accelerate meaningful progress where traditional funding has often fallen short.

In today's global context — marked by geopolitical uncertainty, economic headwinds, and a decline in official development assistance (ODA) — the urgency to harness blended finance has never been greater. With philanthropic and public resources under increasing pressure, it has become imperative that we use catalytic capital wisely, ensuring every philanthropic dollar goes further, unlocking larger sums of commercial investment, and amplifying social impact.

Having worked extensively at the intersection of finance and social impact, I have witnessed the transformative potential of blended finance, particularly in emerging markets like India. Yet for the longest time, this has largely been the domain of institutional donors and large international foundations. With Indian philanthropic spending at $3 billion and steadily growing, this is a substantial pool of capital that, if leveraged well, can help catalyse billions more to achieve the SDGs. This report clearly highlights how both domestic and diaspora philanthropists are becoming increasingly open to this model, particularly as it enables them to scale their impact and unlock new sources of capital.

Equally important, as we see wealth being transferred to a younger generation, it is heartening to note that both first-generation and multi-generational philanthropists view blended finance as an opportunity to align their funding strategies with innovation, scale, and long-term sustainability.

However, as this report demonstrates, the adoption of blended finance by philanthropists in India remains in its early stages. While there is significant optimism, challenges remain — most notably the complexity of financial mechanisms, the need for more accessible case studies, and regulatory roadblocks that can limit its potential. The role of government, financial intermediaries, and philanthropy support organisations in overcoming these barriers will be critical to scaling blended finance. As we move forward, we must continue to invest in structured learning, knowledge-sharing platforms, and trust-building efforts that will help both philanthropists and private investors navigate this evolving landscape.

As India stands at the cusp of achieving critical development milestones, understanding and strengthening the role of philanthropy in blended finance is not just timely — it is essential. It is my hope that the insights in this report will inspire bold action, spark new partnerships, and encourage all of us to think ambitiously about what is possible when we blend capital with purpose.

Vikram Gandhi
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List of Abbreviations

1. **BF:** Blended Finance
2. **CSR:** Corporate Social Responsibility
3. **DFI:** Development Finance Institution
4. **FCRA:** Foreign Contribution (Regulation) Act
5. **HNI/UHNI:** (Ultra)High Net-worth Individual
6. **KII:** Key Informant Interview
7. **PRI:** Program Related Investments
8. **PSO:** Philanthropy Support Organisation
9. **SPO:** Social Purpose Organisation
10. **SROI:** Social Return on Investment
11. **SSE:** Social Stock Exchange
12. **USAID:** US Agency for International Development
13. **USDFC:** US International Development Finance Corporation
14. **ZCZP:** Zero Coupon Zero Principal

Glossary of Terms

1. Blended Finance (BF)

Definition: Strategic use of concessional capital from public/philanthropic sources to mobilise private investment for Sustainable Development Goals.
Purpose: Reduce financial risks for private investors while achieving social impact.

2. Catalytic Capital

Definition: Capital deployed with a willingness to accept higher risk or lower returns to attract other types of funding.
Purpose: Enable investments that are otherwise unattractive to commercial investors.

3. Concessional Capital

Definition: Capital offered at below-market terms, such as low-interest loans or equity with reduced returns.
Purpose: Support projects that are financially unviable at market rates.

4. First-Loss Capital

Definition: A tranche of capital that absorbs losses first, protecting other investors.
Purpose: Reduce risk for commercial investors, encouraging their participation.

5. Guarantees

Definition: Risk-sharing mechanism where a third party covers losses in case of default.
Purpose: Enhance the creditworthiness of projects, reducing perceived risk.

6. Returnable Grants

Definition: Grants provided with the expectation that all or part will be repaid.
Purpose: Recycle philanthropic capital for greater impact.

7. Revolving Funds

Definition: A pool of capital that is continually replenished through repayments.
Purpose: Create sustainable funding for multiple initiatives.

8. Subordinated Capital

Definition: Lower-ranking investment in a capital structure, repaid only after senior debt.
Purpose: Enhance attractiveness for senior investors by absorbing losses first.

9. Technical Assistance (TA)

Definition: Non-financial support to enhance the capacity and sustainability of projects.
Purpose: Ensure investees have skills, knowledge, and systems to succeed.

10. Syndicated Loans

Definition: Loans provided by a group of lenders, structured by one or more lead institutions.
Purpose: Spread financial risk and increase capital for large projects.

11. Outcome-Based Financing

Definition: Financing where payments are made based on the achievement of predefined outcomes.
Purpose: Ensure accountability and impact, linking funding to measurable results.

12. Pay-for-Results Models

Definition: Financial arrangements where payments are contingent upon achieving specific outcomes.
Purpose: Align funding with performance, ensuring funds are only disbursed for results.

13. Financial Intermediaries

Definition: These are organisations or platforms that help facilitate the flow of capital between investors (both philanthropic and commercial) and social purpose organisations (SPOs). They play a crucial role in structuring and managing blended finance deals. They may offer products such as impact investment funds, guarantees, and first-loss capital that blend philanthropic funds with private capital to de-risk investments in social projects. Additionally, these intermediaries help curate a pipeline of projects that match philanthropists' social impact objectives while leveraging private sector investment for scalability.

14. Advisors

Definition: They provide essential expertise to philanthropists and other stakeholders in the blended finance ecosystem. They help assess investment opportunities, structure deals, navigate the complexities of blended finance mechanisms, and ensure that investments align with philanthropic goals. This can include financial advisors, experts from philanthropic support organisations (PSOs), and ecosystem intermediaries who guide philanthropists through the intricacies of blended finance structures, risk-sharing models, and impact measurement strategies.

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Executive Summary

This report explores the role of blended finance (BF) in India's philanthropic landscape, with a focus on unlocking domestic catalytic capital to bridge the country's $170 billion annual social sector funding gap. Declining foreign catalytic capital—driven by regulatory shifts, India's economic progress, and global geopolitical factors—underscores the urgent need for local philanthropic involvement. With a rise in private domestic giving, there is strong momentum to explore how philanthropy in India can support a blended finance approach that unlocks private investment for development goals.

This report is based on exploratory qualitative research, primarily consisting of interviews with **37 respondents, including 25 philanthropists, 9 representatives from philanthropy support organisations (PSOs), and 3 members from philanthropic foundations.** The study incorporates both primary and secondary data. Key Informant Interviews (KIIs) were conducted to explore philanthropists' motivations, challenges, and perceptions related to the adoption of blended finance.

Philanthropists are, in general, optimistic about blended finance, with Now-Gen philanthropists—entrepreneurial and impact-driven—more readily embracing BF for its innovation, scalability, and potential for systems change. Inter-Gen philanthropists remain open but cautious, prioritising alignment with legacy values and mission integrity. Across both groups, BF is seen not as a goal in itself but as a means to amplify social impact, foster collaboration, and share risk. Early adopters are supporting initiatives in livelihoods, climate action, and technology-led solutions.

Despite growing interest, key challenges remain. These include India's nascent BF market, limited success stories, sector-specific constraints (especially in education and mental health), coordination complexities among stakeholders, and mismatched expectations around financial returns and timelines. Regulatory limitations around corporate social responsibility (CSR) funds and legal ambiguity further constrain BF's adoption.

Philanthropists have identified key enablers for engaging in BF, including structured learning, expert advisory, ecosystem support, regulatory flexibility, and active government involvement. They seek clear guidance and tools to manage BF's complexity and align with impact objectives. Emphasis is placed on outcome-based metrics, standardised frameworks like Social Return on Investment (SROI), and a robust knowledge ecosystem with resources and peer learning to support informed decision-making, especially for diaspora donors.

Government involvement is crucial for scaling BF, using tools like guarantees, subordinated capital, and Social Stock Exchange (SSE)-listed instruments. Regulatory flexibility, especially on Foreign Contribution (Regulation) Act (FCRA), is needed for more agile funding. Financial intermediaries should create de-risked BF products, offer technical support, and streamline deal-making through advisory networks and project pipelines. Multistakeholder collaborations are key to overcoming coordination and risk barriers, scaling impactful solutions in priority sectors. With growing interest and openness to new approaches, India's philanthropic landscape is well-positioned to play a catalytic role in shaping the future of blended finance.

Context and Purpose of the Study

The role of blended finance in **bridging the $4.2 trillion annual global funding gap** for achieving the United Nations Sustainable Development Goals (UN SDGs) is now widely recognised. Over the past decade, blended finance programs have **mobilised more than $200 billion from over 1,900 private investors and donors.** In India, blended finance activity has grown rapidly, **with 115 transactions attracting $14 billion (approx) in private capital.** The Government of India's increasing emphasis on blended finance, evident through the inclusion of blended finance programs in its annual budgets, signals strong potential for its wider adoption.

A critical component of blended finance is catalytic capital, typically provided by governments or private donors. This capital helps attract investment in underfunded development sectors by addressing investors' risk-return concerns. Catalytic capital can take several forms, such as technical assistance, loss protection, subordinated capital, and capital that accepts discounted returns. In India, catalytic capital for blended finance programs has thus far come primarily from foreign sources, such as Development Finance Institutions (DFI), foundations, as well as bilateral and multilateral organisations. US Agency for International Development (USAID) and US International Development Finance Corporation (USDFC) have been especially active.

However, several factors are contributing to a decline in flow of foreign catalytic capital to India. As India progresses economically, foreign institutions and donors are shifting focus to other countries, such as those in Africa. At the same time, the Indian government is tightening regulations on the inflow and use of foreign grants and concessional capital. Recent geopolitical developments, particularly US policy actions, are expected to further restrict the flow.

To sustain and scale blended finance in India, it is therefore essential to unlock domestic sources of catalytic capital. **Private social sector spending in India reached $16 billion in FY 2024 and is expected to grow by 10-12% annually over the next five years.** Philanthropy by high-net-worth individuals (HNIs)—already comprising around a quarter of this spending—is expected to be a key driver, with its share projected to rise to one-third by FY 2029. When deployed catalytically, this growing pool can significantly **reduce India's $170 billion annual funding gap in the social sector.** While CSR spending is also substantial, regulatory constraints currently limit its catalytic use.

This report focuses on unlocking domestic philanthropic capital for blended finance. It explores how philanthropists perceive blended finance and what motivates their engagement. It also examines the specific challenges faced by Inter-Gen and Now-Gen philanthropists, and the support they need to provide catalytic capital that attracts private investment for social good. The report concludes with recommendations to build a more enabling ecosystem, encouraging philanthropists to adopt innovative financing approaches beyond traditional grantmaking.

1. https://www.convergence.finance/reports/sobf2021/assets/The_State_of_Blended_Finance_2021.pdf
2. https://www.convergence.finance/resource/blended-finance-in-south-asia/view
3. https://www.bain.com/insights/india-philanthropy-report-2025/
4. https://www.bain.com/insights/india-philanthropy-report-2025/

Methodology

This study is based on exploratory qualitative research, consisting primarily of **interviews with 37 respondents, of which there are 25 philanthropists, 9 representatives from PSOs, and 3 members from philanthropy foundations.** Respondents were identified through purposive sampling, based on their willingness to participate.

The study draws on both primary and secondary data. KII were conducted to explore philanthropists' motivations, challenges, and perceptions regarding the adoption of BF. Respondents provided specific insights into the varied attitudes, risk tolerance, and receptiveness towards BF approaches. A comprehensive literature review of market reports and research papers was also undertaken. Analysis of the study indicated that attitudes to blended finance differ across segments of philanthropists—Now-Gen and Inter-Gen.

- **Now-Gen philanthropists:** This group comprises first-generation wealth creators.[5]
- **Inter-Gen philanthropists:** This group includes individuals who have inherited wealth and are a part of legacy philanthropic families.[6]

Findings have, thus, been framed to highlight the differences between these two.

The report also highlights global examples[7] of how international philanthropic foundations are facilitating the adoption of blended finance models, offering valuable guidance for the development of the Indian blended finance ecosystem.

The findings of this study should be understood within its constraints. Since the insights are based on self-reported data, they represent the individual perspectives of respondents rather than definitive organisational views. Although efforts were made to capture a diverse range of opinions, the overall sample size is limited, shaped by participant availability and willingness.

The study also sought to gather insights from diaspora philanthropists, though the sample size was small. Furthermore, as India's blended finance ecosystem is still in its early stages, detailed data on long-term outcomes and impact metrics are not yet available.

5. This definition has been adopted from the Bain & Company (2023), India Philanthropy Report.
6. This definition has been adopted from the Bain & Company (2023), India Philanthropy Report.
7. Convergence (2024). Blending with Foundations, available at https://www.convergence.finance/resource/blending-with-foundations/view

Growing Optimism

Around Blended Finance in Philanthropy

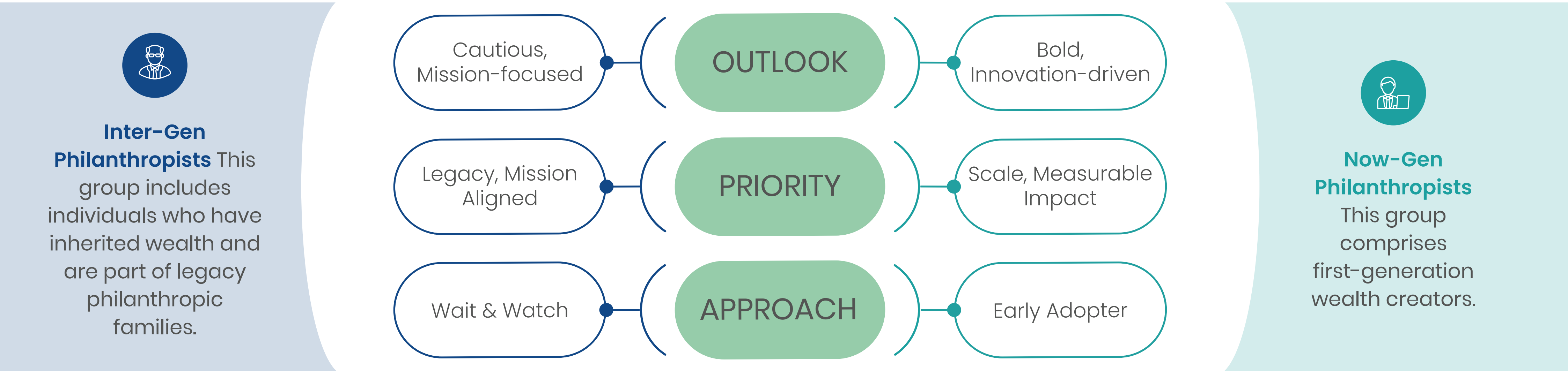
Philanthropists' views on blended finance lean largely towards optimism, while some are highly optimistic, some are cautiously optimistic. Some see it as a promising tool with great potential, while others first look for its fit with their philanthropic values and long-term goals.

In general, Now-Gen philanthropists are more open to adopting BF approaches while Inter-Gen philanthropists take a more cautious interest. They prefer to build confidence in the tool before committing, reflecting a more measured stance.

This difference in perspective is also reflected in their actions. Some Now-Gen philanthropists have already shown confidence by investing through BF approaches. These early adopters have mainly focused on areas such as social security, livelihood development, climate action, and technology-driven innovations.

Among both generational groups, those who support BF are open to working across multiple sectors rather than limiting themselves to one. They look for opportunities where outcome-based or results-driven models can create the greatest and most measurable impact.

FIG 01: Generational Adoption Patterns



Blended Finance as an Approach to Amplify Philanthropic Goals

Blended finance serves as a strategic approach to amplify philanthropic goals, drawing its value from its ability to enhance impact through various factors. Philanthropists, both Now-Gen and Inter-Gen, adopt it not for its structure but for what it enables: scaling solutions, attracting new capital, or fostering innovation. The decision to use BF approaches depends on their fit with a philanthropist's priorities, such as collaboration, risk-sharing, or large-scale impact. These factors are not goals themselves but a means to achieve lasting change.

For example, a philanthropist focused on improving livelihoods at scale might see BF as a way to attract additional funding that helps them expand their impact. Others, interested in innovation or risk-sharing, may see it as a practical mechanism to enhance the effectiveness of their work. In this context, BF serves as an enabler. It offers a strategic path to advance the philanthropic vision.

The Multiplier Effect Philanthropy Wants

Blended finance allows philanthropists to pool resources and enhance the effectiveness of capital, making it appealing to both domestic and diaspora funders. It enables Social Purpose Organisations (SPOs) to scale through catalytic capital, while offering funders the potential to either recover funds or achieve lasting social outcomes. These financial or social returns can then be reinvested to generate further impact.

For instance, grants often provide essential early-stage support to marginalised communities such as small-scale farmers who lack both financial resources and confidence. As they gain experience, their ability to manage risk improves. Once they reach a stable stage, BF becomes a valuable approach to support further growth.

The capital can be recycled to create new opportunities for financial revenue generation within these communities, while also extending support to new communities, ultimately creating a long-term multiplier effect.

> We are interested in seeing blended finance used more efficiently and responsibly. We need leverage to sustainably solve problems
>
> **Varun Aggarwal, Philanthropist and Founder, The Change Engine**

> Blended finance allows you to do things a lot bigger, a lot more at scale. A country like India needs that. But we shouldn't ever forget that it shouldn't be just numbers — impact is what matters in the end!
>
> **Meher Pudumjee, Philanthropist and Chairperson, Thermax Ltd.**

Philanthropic capital plays a catalytic role in unlocking additional funding, allowing interventions to grow without facing resource scarcity. For example, initial grants may help small-scale farmers gain financial confidence and skills, but as their needs increase, concessional capital can help advance the initiative to the next level. By using philanthropic capital as leverage, philanthropy can go much further, supporting sustainable growth and greater impact. Mangesh Wange, CEO and Board Member of Swades Foundation, mentioned,

> *"Once a family has undergone one or two cycles of cropping or animal husbandry, they understand, gain more confidence, and most of them want to grow and move to the next level. This is where blended finance or similar approaches become important."*

Globally and especially in the US, philanthropic foundations are strategically positioned to enhance investor confidence by acting as early movers in high-risk transactions or by providing design-stage funding to help innovative financial models reach bankability. For example, Redavia, a company that implements containerised modular solar farms in East and West Africa, benefited from early-stage support provided by a corporate foundation. In 2014, the Shell Foundation offered project-preparation funding to help Redavia establish its operations in Sub-Saharan Africa. This funding not only helped streamline the company's supply chain, reducing costs significantly, but also guided Redavia through its fundraising process. Following the foundation's initial investment, Redavia attracted concessional debt financing from public investors such as InfraCo Africa, the Nordic Development Fund (NDF), and European Development Finance Institutions (EDFI). This support proved instrumental in validating Redavia's business model, and the concessional financing helped mobilise debt and equity commitments from a diverse range of private investors between 2018 and 2020, further scaling the company's impact.

Innovation and Scale Attract Now-Gen Philanthropists

Now-Gen philanthropists are drawn to blended finance because of their entrepreneurial thinking and focus on innovation. They go beyond traditional grantmaking, looking for models that are scalable, outcome-oriented, and financially sustainable.

For them, BF isn't just a tool; it's a strategic approach to support solutions that are efficient, accountable, and easy to replicate. This approach encourages them to test new ideas, take calculated risks, and create a bigger social impact.

One philanthropist, for example, focuses on creating "nonprofit unicorns", meaning organisations that impact at least one million people. Their funding focuses more on innovation than on traditional program delivery, using catalytic capital to develop scalable products, digital platforms, and breakthrough interventions. They see a gap in funding for new solutions, and BF helps fill that gap, supporting ideas with the potential for large-scale impact. Learnings from the limited sample of diaspora philanthropists suggest that they share a similar perspective, with scalability, measurable impact, and flexibility identified as critical factors in their adoption of BF.

Creating Impact Through Collaboration and Shared Risk

One of the main reasons blended finance is viewed positively is its ability to foster collaboration. It brings together philanthropists, governments, private investors, and other stakeholders, helping social initiatives grow more effectively. This approach is especially appealing to Now-Gen philanthropists, who see working together as key to scaling sustainable, long-term solutions.

> It's not that the intent of collaboration with the public sector is not there, at least on the philanthropy side. I think one would want to work with the government, to scale solutions. But the tools and the frameworks are missing. If models like blended finance can bring the different stakeholders together in an effective way, then that should be a motivating factor for more collaboration.
>
> **Urvi Shriram, Philanthropist**

Collaboration in BF goes beyond pooling resources—it also helps mitigate risk. By sharing resources and expertise, partners can reduce the risks associated with scaling high-impact interventions. This collective approach gives philanthropists the confidence to invest in projects that may otherwise seem too risky, making large-scale, transformative change more attainable. As shared by a representative of a domestic philanthropy foundation,

"Blended finance is important in climate change because it can de-risk projects that private investors would consider too risky. This approach is vital for scaling climate solutions across various sectors, including agriculture, energy, and infrastructure."

Mission First Model Drives Adoption

Philanthropists who take a cautiously optimistic view of blended finance, especially the Inter-Gen philanthropists, focus more on their core mission than on the approach. For them, the mission comes first. As one philanthropist shared, their focus on building hostel infrastructure stems from personal experience, having seen their father's struggles with housing during his student days. Their goal is to help students in similar situations, whether the funding comes through traditional grants or BF.

This outlook is shared among philanthropists who embrace BF not as a starting point, but as an enabler if it supports the cause. This outlook is shared among philanthropists who embrace BF not as a starting point, but as an enabler if it supports the cause. As another philanthropist states,

"My priority is solving social problems, and will only pursue blended finance if it fits my existing work, not the other way around."

Globally, mission alignment remains a central focus for philanthropic foundations when they engage in blended finance. This alignment could be with sectors, thematic areas or even geographies. For instance, the Bill and Melinda Gates Foundation especially focuses on primary healthcare and gender equality in Kenya. In 2023, the Gates Foundation made a commercial equity investment in Access Afya, a Kenyan social enterprise providing affordable, tech-enabled primary healthcare to underserved communities. This deal was structured using blended finance, combining a convertible grant from the UBS Optimus Foundation with impact investments from the Philips Foundation, the Gates Foundation, and private sector investors.

Need for Scale and Impact While Preserving Core Values

Many philanthropists approach blended finance thoughtfully with a strong commitment to preserving the core values and purpose of their philanthropic efforts. They recognise that BF can unlock additional capital and enhance impact, but are equally mindful of ensuring that the financial and operational expectations of investors, such as the emphasis on rapid scaling or the pursuit of financial returns, remain aligned with the core needs of the community. Philanthropists view these concerns as important guardrails to maintain the integrity of their missions while expanding their reach responsibly. Their thoughtful approach ensures that as they embrace innovative funding models, the communities they serve and the original purpose of their work remain firmly at the centre.

Balancing Legacy and Innovation in Family Philanthropy

In families where wealth and philanthropy are passed down through generations, senior family members often guide key decisions, even as younger members show more openness to blended finance. In these family structures, younger philanthropists usually play a consultative role, influencing decisions but not leading them.

This consensus-based approach helps keep the family aligned but often results in a more cautious or neutral view of blended finance. Younger voices may temper their enthusiasm to match the family's comfort and outlook, making sure any new approach, like blended finance, aligns with the family's long-term values and vision. This generational difference is reflected in how philanthropists view the role of philanthropy.

> “My parents grew up in a different context from me. This causes a fundamental difference in the thought processes across generations. They would have faced more challenges in their youth, so their inclination to give is very much centred around on-the-ground project implementation and issues like hardship alleviation, rather than innovative financing.
>
> **Mirik Gogri, Philanthropist and Founder, Spectrum Impact**

Breaking Down the Roadblocks
to Blended Finance

FIG 02: Roadblocks to Blended Finance Adoption in India

- India's nascent BF market leads to cautious, wait-and-watch approach
- Difficult to attract capital for rights and systems based sectors like mental health, governance due to lack of short-term returns
- Complexities in aligning interests, legal hurdles, compliance constraints, goals, risk appetites in a multi-stakeholder model
- Tension between longer social impact timelines and investor market return expectations

A Nascent Market Leading to a Wait-and-Watch Approach

Blended finance remains in the early stages of development within India's philanthropic sector.

As a result, some philanthropists adopt a cautious, "wait-and-watch" approach, seeking proven examples, successful pilot projects, clear guidelines, and a supportive government stance before committing to such models.

This nascent market for BF transactions shows a clear need for more accessible and proven success models to help encourage wider adoption. As more evidence of impact and feasibility becomes available, interest in BF will likely grow. Echoing a cautious stance, one philanthropist shared,

> *"I would probably want to look at some more use cases, see a few more developments with government and large players, like development finance companies getting involved before I, as a philanthropist, get into this."*

> It's a very new model in India. This requires a lot more case studies. I'm not sure how many successful case studies we have in blended finance. It would be too early for me to comment on the viability and the feasibility of this in India from a long-term perspective, because this is a change from all parties.
>
> **Mukund Rao, Philanthropist, Angel Investor and Co-Founder, Muvin**

Sector-Specific Limitations That May Hinder Impact

Philanthropists are open to adopting blended finance when it aligns with their core focus areas, like education, health, livelihoods, environment, and governance.

Those already using it are especially drawn to its focus on measurable outcomes and stronger accountability. Highlighting the potential of BF to drive greater accountability and measurable outcomes, Vipul Gupta, Philanthropist and Co-Founder of Earth Focus, explained:

"It's very important to see the result of every single penny that we spend or every single penny that we get from some donor or every single penny that gets unlocked due to any government conversion scheme. What is the total of that and what is the outcome of that?"

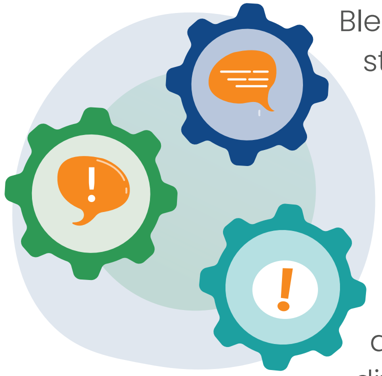
In sectors and themes such as mental health, governance, and the rule of law, where the focus is on long-term systemic change, rights-based outcomes, and raising awareness, attracting commercial capital is more complex.

Though measuring impact is possible, developing well-defined revenue models or generating short-term financial returns, which commercial investors typically expect, is difficult. Unlike other sectors, social projects in these areas focus on outcomes, such as improved public health or stronger governance systems, that may take years to materialise.

As a result, the interest of commercial investors, who typically seek quicker returns and more predictable financial outcomes, is limited.

> Blended finance models are increasingly playing an important role in funding climate solutions—climate mitigation and climate adaptation. But, there is this whole debate of how this type of funding might be giving rise to 'climate colonialism'. It remains to be seen how blended finance will reduce funding disparities and make more resources available to Global South to invest in climate adaptation solutions.
>
> **Urvi Shriram, Philanthropist**

Challenges of Multistakeholder Coordination



Blended finance initiatives involve many stakeholders, including philanthropists, private investors, governments, and institutions, each with different goals, risk preferences, and processes. Aligning these interests takes time, and even when there's a shared intent, progress can be hindered due to legal ambiguities, compliance constraints, and differing decision-making styles.

For example, philanthropists point to the absence of enabling legal and regulatory frameworks as a barrier to engaging in BF. The lack of clear policies, standardised mechanisms, and supportive government guidelines make it difficult to navigate and scale, while limitations on how CSR funds can be used can complicate the design and execution of BF deals. These challenges may prevent well-intentioned discussions from translating into meaningful action.

At the global level, multistakeholder collaboration in blended finance has gained significant momentum, with the Catalytic Capital Consortium (C3) emerging as a leading initiative. Launched in 2019 by the MacArthur Foundation, Rockefeller Foundation, and Omidyar Network, and closely supported by Convergence, C3 has played a crucial role in enhancing coordination among catalytic capital providers, including philanthropic organisations, DFIs, and Multilateral Development Banks (MDBs). This collaborative approach is a strategic development, as it effectively combines the deal origination capacity and market expertise of DFIs and MDBs with the flexibility and innovative potential of philanthropic capital, creating a robust ecosystem for scaling high-impact investments. The partnership fosters a more integrated and streamlined process, enabling better alignment of goals and resources across stakeholders, ultimately driving greater impact in the blended finance space.

Another notable example is the SDG Loan Fund, a $1.1 billion blended private debt fund launched in 2023, that exemplifies successful multistakeholder collaboration in driving SDG-aligned investments. The fund integrated a $111 million first-loss investment from FMO (Netherlands Development Finance Institute) and a $25 million philanthropic guarantee from the MacArthur Foundation, which played a critical role in de-risking the investment. This collaboration attracted significant institutional capital, including investment from Allianz SE, enabling the mobilisation of substantial private sector funds for high-impact SDG projects. This model of combining philanthropic capital, concessional finance, and private sector investment demonstrates how effective coordination can overcome de-risking challenges, unlock private capital, and scale impactful initiatives. The success of this collaboration highlights the potential for replicating similar blended finance models in India to address key development challenges.

Challenge of Reduced Returns, Blended Value, & Mismatched Timelines

One of the key barriers to adopting blended finance lies in the varying expectations of commercial investors and philanthropists. Projects in the social sector often require long-term commitment to achieve meaningful outcomes, whereas commercial investors typically expect risk-adjusted returns in shorter time frames. Similarly, philanthropists are familiar with two main models: (i) grants, where no return is expected, and (ii) risk-adjusted market-based returns. The concept of a BF model, which generates returns that are lower than the market but creates a significant social impact, is relatively new to them.

> A behavioural and cultural challenge is that people often equate receiving a grant with acquiring equity or debt investment, leading to confusion and discomfort. This creates a misunderstanding, as blended finance lies somewhere in between, highlighting the need for greater education on the matter.
>
> **Vikram Gandhi, Philanthropist and Academician**

Enablers of Action
to Advance Blended Finance

FIG 03: What are the Enablers Philanthropists Need and from Whom

	Details	Why it Matters?	Who Needs to Act?
Step-By-Step Guidance	Structured learning and trusted advisory support for entry	Helps philanthropists navigate complexities and engage with confidence	PSOs, Advisors and intermediaries
Greater Clarity and Structure in BF Models	Shared accountability, standardised impact measurement, and a focus on long-term outcomes are key to fostering trust	Builds trust and reduces ambiguity among stakeholders	Government, Advisors, Intermediaries
A Knowledge-rich Ecosystem	Case studies, research and toolkits, and peer learning platforms that highlight BF success and how tos	Raises awareness and deepens understanding of blended finance's potential	Government
Flexibility in Regulations	Flexibility in regulations like 20% admin cap under FCRA amendment	Enables agile allocation of resources to address the evolving needs on the ground	Government
Government Participation	Conduct awareness and capacity-building programs	Provides validation necessary to foster trust	Government

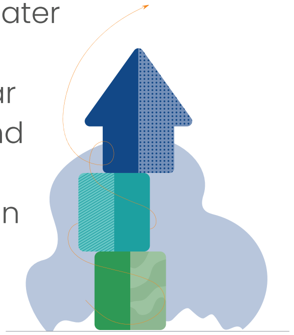
Structured Learning and Trusted Support for Blended Finance Engagement

Philanthropists and PSOs emphasise the importance of structured, step-by-step guidance to effectively engage with BF approaches. Given the technical complexity of BF's financial mechanisms, a focused, methodical approach is essential for philanthropists to develop a comprehensive understanding.

Advisors such as financial experts, PSOs, and ecosystem intermediaries play a critical role in helping philanthropists assess opportunities, navigate risk-sharing structures, and ensure their investments align with their social impact objectives. As philanthropists advance in their understanding, trusted advisors become increasingly important in simplifying complex concepts, facilitating the adoption of BF. This need is shared by both diaspora and domestic philanthropists alike.

Globally, to streamline operations and reduce transaction costs, many philanthropic organisations are adopting standardised investment models, especially those with smaller investment teams. This approach simplifies administrative processes and facilitates Program-Related Investments (PRIs), which in turn attract additional private capital. A relevant example is the Zero Gap Fund, launched by the Rockefeller Foundation, MacArthur Foundation, and C3. This fund deployed flexible, patient, and risk-tolerant capital into scalable solutions aligned with the SDGs, aiming to demonstrate catalytic structures that can attract commercial finance.

Building Trust in Blended Finance



Philanthropists emphasise the importance of greater clarity and structure in the design and implementation of blended finance models. Clear objectives, well-defined roles for stakeholders, and shared accountability mechanisms are essential to minimising ambiguity and fostering trust within the ecosystem. More importantly, they advocate for a shift in focus from merely tracking basic outputs to measuring meaningful, long-term outcomes.

Rather than simply counting enrolment figures, they seek to see indicators such as job placements, income growth, and sustained improvements in livelihoods. To support this, philanthropists suggest the adoption of standardised impact measurement frameworks, such as SROI, which offer clear benchmarks and enable consistent, credible tracking of real-world change over time.

Building a Knowledge-Rich Ecosystem for Blended Finance

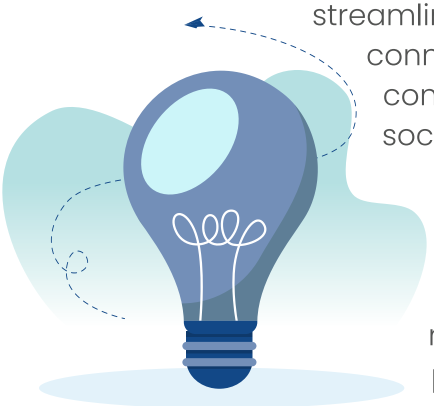
Philanthropists unanimously emphasise on the need for a robust knowledge infrastructure to accelerate the adoption of blended finance. They recognise that the creation of targeted knowledge products such as research reports, case studies, and practical toolkits is essential to raise awareness and deepen understanding of BF's potential. These resources can distill key lessons, highlight successful models, and provide actionable insights for navigating BF structures.

We have been participating in conversations with family offices and banks. The biggest challenge is the education piece. Many people do not understand the blended finance structure and what it means.

Vikas Arora, Chief of Impact Investing, Asian Venture Philanthropy Network

In addition to content, philanthropists stress the importance of collaborative platforms, such as conferences, workshops, and peer-learning forums, which act as powerful enablers. These spaces foster sharing of experiences, peer learning, and the co-creation of solutions across sectors.

Philanthropists also emphasise the significance of a well-developed ecosystem. For diaspora philanthropists, a centralised digital platform could serve as a matchmaking and engagement hub, enabling stakeholders to discover live opportunities, connect with aligned partners, and participate in ongoing deal-making. Such a platform would streamline the transaction process, systematically connect capital to BF opportunities, and build confidence in BF as a viable approach to social impact.

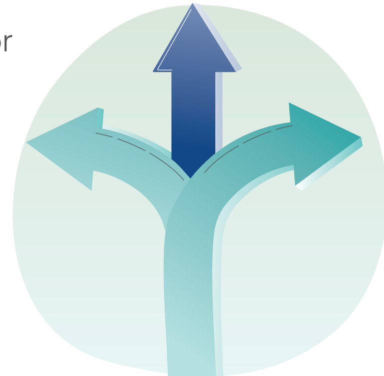


This structured approach is especially valuable for diaspora philanthropists, as the relationship-driven and bespoke nature of philanthropic funding in India presents unique challenges in adopting BF.

One such example is Convergence, a global network for blended finance, that provides its members access to curated market intelligence, case studies, data insights, capacity-building resources, and peer learning opportunities. It educates stakeholders through learning programs and training, connects public, private, and philanthropic actors across global membership, and mobilises capital by supporting the design of innovative financial vehicles and sharing lessons learned.

A Need for Regulatory Flexibility

Conversations with select diaspora philanthropists reveal a pressing need for greater regulatory flexibility to facilitate more effective engagement.



Current provisions under the FCRA, particularly the cap that limits administrative expenses to 20% of total funds, present significant challenges in supporting programs that demand greater operational flexibility.

The complexity and perceived regulatory risks associated with such constraints create a sense of hesitation, especially when funding models that require the agile allocation of resources to address evolving needs on the ground.

Government as a Catalyst for Blended Finance Adoption

Philanthropists from both groups view the government's role in supporting blended finance as highly constructive. They believe that government involvement is essential for scaling BF, much like the role government support played in the growth of the mutual funds market in India. From their perspective, government participation serves to bridge critical gaps and provide the validation necessary to foster trust, which they regard as a fundamental element for the wider adoption of BF. As one philanthropist puts it,

> *"If the government gets into it, then it is going to be a big push, actually. Somehow you need to convince the government for this because they are the ones which can do this at a larger scale, and they can give rewards for outcome-based financing."*

Philanthropists also highlight that the government is the largest philanthropic institution with the ability to drive large-scale impact.

For them, the government's role isn't just about increasing the pool of capital; it's also about setting a precedent that inspires other stakeholders to get involved.

Both groups of philanthropists share this trust in the government's ability to scale, mobilise, and motivate, seeing its involvement as key to unlocking the full potential of BF.

Unlocking Levers
for Blended Finance Engagement

During the discussions with philanthropists, they highlighted several enablers which can facilitate the uptake of blended finance approaches. The following section highlights stakeholder-specific recommendations for creating an enabling environment for philanthropic engagement in BF.

Key Stakeholder Roles in Scaling Blended Finance Initiatives

Government

Role
- Catalyst and validator in scaling blended finance initiatives
- Provider of risk-mitigating instruments and regulatory clarity
- Enabler of transparency and access to investable opportunities

Examples
- Government as outcome payer in social/impact bonds
- Use of subordinated capital to de-risk private investments
- SSE enabling low-cost capital access
- Digital repository of public projects for philanthropic co-investment

Enabling Actions
- Offer guarantees, first-loss capital, and co-investment opportunities
- Facilitate access to data on public sector projects for philanthropists
- Launch awareness seminars to build the capacity of philanthropists in BF
- Provide regulatory flexibility, especially around FCRA and capital use

Financial Intermediaries

Role

- Bridge between philanthropy and private investment
- Designers of risk-adjusted, impact-driven BF products
- Facilitators of deal structuring, pipeline development, and technical guidance

Examples

- Create impact funds with philanthropists providing first-loss capital
- Curate pipelines of high-impact projects (e.g., WASH, clean energy)
- Offer philanthropists technical assistance on structuring and measurement
- Match philanthropists, DFIs and SPOs

Enabling Actions

- Design customised financial products aligned with philanthropic values
- Provide financial modelling, legal, and governance support
- Develop platforms to connect capital with projects
- Standardise tools (e.g., templates, risk frameworks) to accelerate execution

PSOs and Ecosystem Enablers

Role

- Knowledge disseminators and conveners
- Builders of trust and shared understanding
- Accelerators of BF learning and adoption across philanthropists

Examples

- Produce toolkits, research papers, and case studies on BF
- Host peer-learning events, webinars, and conferences
- Propose SROI frameworks for credible impact tracking
- Creating digital platforms for diaspora and domestic funders to interact

Enabling Actions

- Create targeted knowledge products on BF models and lessons
- Facilitate co-creation forums for funders, advisors, and SPOs
- Promote peer exchange mechanisms for experiential learning
- Build centralised platforms for deal matchmaking and access to opportunities

Recommendations for the Government

1 Government participation in BF projects can significantly enhance credibility and provide confidence to both philanthropists and investors, motivating them to engage more actively in blended finance initiatives. For example, government involvement as an outcome payer in impact bonds has played a key role in scaling projects and ensuring validation in developed markets. Similarly, government-backed guarantees and other risk-mitigation instruments (such as first-loss capital) are effective tools in reducing perceived risks for private sector participants. This, in turn, increases their willingness to invest in high-risk but high-impact sectors such as clean energy, affordable housing, and healthcare.

2 The government might also consider participating as subordinated capital within blended finance structures. By providing lower-risk capital, the government can make investments in social impact projects more attractive to both private investors and philanthropists. This approach will help reduce the overall investment risk, thereby catalysing the uptake of blended finance and enabling higher levels of private capital participation.

3 To mobilise philanthropic capital, the Social Stock Exchange could be leveraged as a platform to raise not only grants through Zero Coupon Zero Principal (ZCZP) instruments but also low-cost capital for blended finance projects. By allowing philanthropists to participate in SSE-listed projects, the platform can facilitate access to facilitate access to concessional financing and impact-driven investments. This will attract philanthropic contributions to high-impact sectors, such as sustainable agriculture, renewable energy, and affordable housing, while de-risking investments through blended finance structures.

4 The government might actively facilitate the availability of comprehensive and transparent information on public projects that could benefit from philanthropic investments, particularly in sectors such as infrastructure, healthcare, education, and clean energy. By creating a centralised platform or digital repository that provides detailed insights on project objectives, funding needs, risk assessments, and potential social outcomes, the government can empower philanthropists to identify and invest in high-impact projects. This transparency will foster trust, align philanthropic goals with public development priorities, and enable seamless execution of projects in a timely and cost-efficient manner. Additionally, the government could collaborate with financial intermediaries to provide risk assessments and guidance on investment structuring, which would further support philanthropists' engagement with these projects.

5 The government could explore the possibility of offering awareness programs and learning sessions/seminars for philanthropists, focused on the overall benefits of blended finance. Additionally, specialised learning/training programs that focus on the nuances of blended finance, such as the use of PRIs and guarantees, and investing in high-risk, modest-return sectors like

agriculture, affordable housing, and climate justice can provide a step-by-step guide on how to navigate complex financial mechanisms and strategically apply concessional capital. eepen understanding of the technical know-how of BF, highlighting the potential for philanthropists to not only enhance their social impact but also leverage their capital for greater financial returns.

By gaining insights into the principles and mechanisms of BF, philanthropists can make informed decisions about how to best structure their investments for

Recommendations for Financial Intermediaries and Advisors

1. Financial intermediaries can play a major role in designing tailored BF products catering to the needs and risk appetites of philanthropists. These financial products can combine philanthropic capital (e.g., first-loss capital, guarantees) with private investments to de-risk social impact projects. For e.g., creating impact investment funds where philanthropists provide the first-loss capital, thereby absorbing initial risks. This product would be attractive to philanthropists who wish to take on lower-risk financial exposure while ensuring high social impact, such as supporting renewable energy projects in emerging markets.

2. Financial intermediaries might consider offering technical assistance and capacity-building services to philanthropists, helping them understand complex blended finance structures, financial instruments, and impact measurement. This might be undertaken in collaboration with government agencies. Additionally, formation of trusted advisory networks composed of experts who can help philanthropists and commercial investors identify high-impact sectors, design risk-sharing models, and align their investments with social impact goals can be another advancement by intermediary organisations. These trusted advisors will play a crucial role in demystifying the complexities of blended finance and providing ongoing support to ensure the success of projects.

3 Intermediaries can act as matchmakers, helping philanthropists identify viable blended finance opportunities by curating a pipeline of projects and connecting them with appropriate private investors, DFIs, or governments. For e.g., developing a platform or database that profiles high-impact projects in sectors like clean energy or water sanitation, and allows philanthropists to choose projects that align with their social goals, while leveraging private capital for scalability.

4 Intermediaries can play a major role in streamlining the deal structuring process by providing expertise in financial modelling, risk assessment, and governance structures that suit investment profiles of philanthropists.

An intermediary can help by developing the legal, financial, and operational frameworks, such as standardised templates, which will enable the execution of deals in a time- and cost-efficient manner.

5 Finally, Indian ecosystem players might consider prioritising catalytic investments that can demonstrate the viability and scalability of BF in key sectors like education, healthcare, and livelihoods. By focusing on creating replicable models, similar to those developed by global players like the Zero Gap Fund, Indian philanthropists and investors can attract more private capital and scale social solutions with higher impact through structured, standardised approaches that lower transaction costs and ensure long-term sustainability.

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