TransCap Initiative
Systemic Investing for Sustainability

Pushing the Boundaries of Integrated Capital Strategies

Toward Systemic Investing and Capital Orchestration in Philanthropy

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About the TransCap Initiative

The TransCap Initiative (TCI) is a non-profit open innovation initiative working to develop, test, and scale systemic investing. We do this through research and conceptual development, prototyping, and network weaving. We are powered by a diverse, international, and ambitious community, and we collaborate with wealth owners, institutional investors, foundations, financial intermediaries, researchers, public-sector bodies, and other innovators. Learn more on our website.

About the Origin of this Document

This document is the output of a practice community on integrated capital strategies led by the TCI and involving nearly 30 investment specialists, program officers, senior managers, and trustees of U.S.-based philanthropic initiatives, as well as innovators and field-builders working within or adjacent to U.S. philanthropy. Between January and June 2026, members of this practice community met online over the course of six sessions to:

- learn about the basics of systemic investing and capital orchestration,
- investigate how the core ideas of systemic investing and capital orchestration can augment integrated capital strategies,
- explore the role of catalytic capital in systemic investment programs,
- identify barriers to the adoption of integrated capital strategies and systemic investment principles by U.S. philanthropic initiatives, and
- develop a set of interventions to be implemented as part of a field-building strategy for the adoption and advancement of integrated capital strategies.

The insights presented herein are anchored in the collective knowledge and wisdom of the practice community's members. Whilst community members have had an opportunity to review and provide feedback to manuscript drafts , their participation in the practice community doesn't mean that they universally endorse the document. All errors and omissions are the authors'.

Authorship & Suggested Citation

This document should be regarded as the collective work of the aforementioned practice community on integrated capital strategies in U.S. philanthropy. Representatives of the following organizations have participated in at least one of the online sessions (in alphabetical order): Abundance Circle, Autodesk Foundation, Cambridge Associates, Cisco Foundation, Encourage Capital, Featherlight Capital, Funders for Regenerative Agriculture (FORA), Gary Community Ventures, GroundBreak Coalition, Integral Assets, Just Futures, Kataly Foundation, MacArthur Foundation, Max M. & Marjorie S. Fisher Foundation, McKnight Foundation, MIT Sloan Sustainability Initiative, Nathan Cummings Foundation, Phillips Foundation, Platform for Agriculture and Climate Transformation (PACT), Prime Coalition, The Rockefeller Foundation, Skoll Foundation, Small Foundation, Tara Health Foundation, The ImPact, The Russell Family Foundation, Walton Family Foundation, and Woodcock Foundation.

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Executive Summary

Addressing today's most urgent societal issues is increasingly a question of strategic capital allocation. That's why a growing number of philanthropic organizations are working across the capital spectrum, making program-related and mission-related investments (PRIs, MRIs) alongside grants. However, this practice remains niche, with fewer than 2% of U.S. foundations making PRIs with any regularity. Where foundations *do* seek alignment between endowment and mission, the effort often remains siloed within investment and grantmaking teams, confined within the walls of a single institution, and organized around disconnected projects rather than strategic portfolios of interventions. In addition, few foundations engage strategically with efforts dedicated to capital orchestration, an increasingly critical function in systems change work.

This report argues that philanthropic initiatives could materially increase their impact by adopting principles of systemic investing and capital orchestration. It's the key output of a practice community involving nearly 30 investment specialists, program officers, and trustees from U.S. philanthropic institutions convened by the TransCap Initiative between January and June 2026. Over six sessions, participants engaged in a process of collective learning guided by two questions: Why has the uptake of integrated capital strategies across U.S. philanthropy stagnated? And what does the next stage in the evolution of this work look like?

Integrated capital strategies (ICS) represent the current frontier for most foundations looking to generate impact beyond their grantmaking activities. The key idea is the intentional, coordinated deployment of the full spectrum of capital available to philanthropic initiatives in service of a specific impact objective. ICS thus breaks with the two-pronged conventional model of a program team making grants for real-world impact and an investment team separately managing the endowment for maximum risk-adjusted returns.

While there are multiple ways through which such integration can be achieved within a philanthropic initiative, the most advanced forms revolve around broad-skilled, tool-agnostic teams or around dedicated functions tasked with ensuring coherence across specialized units. Because coherence is rarely anyone's explicit responsibility (often falling to an already-stretched CIO, grants lead, or executive director), some foundations are starting to consider a dedicated "Capital Integrator" role: a senior function accountable for the coherence of capital deployment across the entire toolkit, rather than for any single pool of capital.

Systemic investing (SI) is the next stage in the evolution of integrated capital strategies, raising the unit of analysis and success from the individual grantee or investee to the system at large. At its heart is the idea that systems change is rarely the result of a single project or social enterprise but emerges from the combined effects of many interventions happening concurrently and in directional alignment—interventions with a wide range of different financing needs.

Systemic investing asks foundations to reverse the sequence of their approach: working from the issue backward to study what keeps a system in place, then identifying the kind of capital required to shift it, as opposed to starting with a pre-determined pool of capital and seeking ways to deploy it for maximum impact. It also invites them to form strategic partnerships with other philanthropic institutions as well as with stakeholder groups having agency over financial levers critical to transforming systems but outside the control of philanthropy, such as banks, asset managers, insurance companies, family offices, corporations, and government entities.

Solutions capitalized across many sources are structurally harder to reverse than those dependent on a single funder, offering resilience against political headwinds—which makes systemic investing a durability strategy as much as an impact one.

Achieving this kind of cross-sectoral integration requires "capital orchestration", a role that generic backbone organizations rarely play, while financial institutions seldom engage in system orchestration. What's needed is a new type of financial intermediary—a financial backbone—dedicated to mobilizing more capital and ensuring that the capital that *is* available is deployed with more coherence with a specific systems change agenda. Notably, the most effective orchestration is often not de-risking in the conventional sense (i.e., philanthropy absorbing risk so private capital can invest on its usual terms) but risk *reassessment:* correcting a mispriced risk through engagement and advocacy rather than subsidizing a real one.

Foundations enable this work as incubators, funders, providers of investment capital, and stewards. In fact, for foundations that may find it hard to move toward integrated capital strategies within their own organizational boundaries, engaging with capital orchestration can serve as an on-ramp, a space for learning and experimentation that can pave the way for internal change later.

The barriers to adopting integrated capital strategies are overwhelmingly internal and human rather than technical or regulatory. Risk aversion and short time horizons of boards, a skills gap across investment, program, and senior management teams, and entrenched mindsets, ways of working, organizational culture, and incentive systems all work to preserve the conventional separation of grantmaking and investing.

Counterintuitively, a foundation's existing PRI or MRI practice is not a reliable predictor of its readiness to go further. Some of the most integrated efforts in U.S. philanthropy have grown out of the grantmaking side rather than the investment office, while institutions with the longest-standing PRI programs sometimes prove the least inclined to advance beyond them.

In any case, moving from ICS to systemic investing adds another set of barriers: new language and methods, a scarcity of demonstration effects to secure internal buy-in, and a dearth of support infrastructure for pioneers. Regulation and other external factors are, by contrast, less of a hindrance. Many perceived hurdles emerge from misconceptions or a lack of knowledge rather than actually binding constraints. The good news, then, is that most of the barriers are surmountable.

The challenge ahead is twofold. One is **normalizing integrated capital strategies** among the great majority of foundations doing little or none of it today—a scale-up challenge requiring narrative change, capability-building, and support infrastructure that lowers implementation barriers. The other is **advancing the frontier** toward systemic investing and capital orchestration through conceptual development, collective learning, prototyping, and network-weaving.

Entry points vary accordingly: For some, the next step is to move toward stronger integration internally, for others, it's toward alignment with philanthropic peers and private- and public-sector entities working on the same issues. For still others, it's toward working through capital orchestrators as an on-ramp to more ambitious internal change over time.

None of this is offered as a settled playbook, and several tensions remain unresolved. Not everyone in our practice community is convinced that full integration is right for every institution; some argue that grantmaking and investing are different crafts , best kept distinct even while coordinated closely. We are also alert to the risk that systemic investing follows the trajectory of ESG in becoming a useful idea diluted by overuse, and we have tried throughout to insist on practice over label. And the economics of capital orchestration remain genuinely open: a financial backbone can be incubated with philanthropic money, but what its "off-ramp" looks like once that start-up funding runs out is a question the field has no answer to yet.

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In an era of strong political headwinds and dwindling public-sector budgets for social and environmental causes, it will be more important than ever that the resources still available be deployed for the greatest possible impact—impact that only becomes possible through strategic coordination across diverse stakeholder groups. Foundations are uniquely positioned—by virtue of their expertise, mandate, flexibility, and legitimacy—to catalyze the integrated capital movement, by leading the way from within their own four walls while enabling the field of systemic investing and capital orchestration to expand. This report serves as a starting point and shows the direction of travel.

1) Context & Purpose

Addressing today's most urgent societal issues is increasingly a question of strategic capital allocation. If we are to regenerate the natural environment and reduce social inequities at the depth, scale, and speed required, we need to start using a broad range of financial mechanisms; broader than what is usually within the field of vision of philanthropic initiatives, and broader even than what is considered "grants" and "investment capital". Importantly, we need to deploy these mechanisms in a highly strategic, integrated, and collaborative way.

Many philanthropic organizations[1] understand the need for integrated capital strategies (ICS) and have begun working across the capital spectrum, e.g., by making mission-related (MRI) and program-related (PRI) investments. Yet too often, these activities remain fragmented and siloed, with investment professionals and grant managers remaining internally separated and working in transactional relationships with different mindsets, incentives, and risk appetites, rather than as integrated teams well-versed in both financial mechanisms and impact strategies. The result is increased friction and complexity and strained organizational capacity.

Further, few philanthropic organizations strategically collaborate with other (external) providers of financial capital, particularly from the private and public sectors, such as impact-oriented asset managers, banks, governments, corporations, and insurance companies. And fewer still incubate and support efforts dedicated to capital orchestration, an increasingly important function in collective impact work.

Given the multifaceted nature of complex societal issues, it will be vital for philanthropic organizations to develop deeper and more strategic models of collaboration on capital deployment, especially because massive amounts of philanthropic resources currently sit idle in foundations and donor-advised funds (DAFs). Systemic investing provides a blueprint (i.e., the mindsets, methods, and tools) for doing this. By building on and advancing best practices of strategic philanthropy, mission- and program-related investing, catalytic capital, and impact investing, it opens up avenues for deepening philanthropy's capital integration work and for unlocking and better coordinating other forms of finance, thereby enabling more systemic outcomes.

Recognizing the limitations of conventional PRI/MRI, grantmaking, and single-asset impact investing and catalytic capital deployment, a growing number of philanthropic organizations have started to…

- adopt practices of systemic investing, such as Builders Vision in its oceans strategy,
- operate with integrated teams of investment and grantmaking specialists, e.g., Gary Community Ventures in its affordable housing program, and
- catalyze the incubation of financial backbones for capital orchestration, as the McKnight Foundation did with the GroundBreak Coalition.

But these pioneering efforts are a rarity, and more work is needed to deepen the practices of systemic investing and capital orchestration within the field of philanthropy. This is why the TransCap Initiative has convened some of the world's most forward-looking philanthropic organizations and their partners in a practice community on integrated capital strategies—to unlock the full potential of philanthropic capital deployment and push further, together. This report synthesizes the insights from this process and proposes how to take the work forward.

1 In this document, the terms "foundations", "philanthropic organizations", and "philanthropic initiatives" are used interchangeably.

2) Introduction

2.1 Integrated Capital Strategies in U.S. Philanthropy

What are integrated capital strategies?

For the purpose of this document, and building on definitions advanced by RSF Social Finance and the Center for Sustainable Finance and Private Wealth, we define integrated capital strategies (ICS) as the intentional, coordinated deployment of multiple forms of capital across the full spectrum of monies available to philanthropic initiatives in service of an impact objective, whereas those forms of capital include non-repayable grants, recoverable grants, guarantees, concessionary equity and debt (incl. MRI and PRI, and whether catalytic or not), and market-rate investments.[2]

The key idea at the core of ICS is that rather than treating grantmaking and investing as separate activities governed by separate logics, an ICS matches multiple types of capital to real-world needs: using different financial mechanisms in whatever combination and sequence required by a given project or social enterprise. The defining hallmark is to treat the entire capital toolkit, including financial instruments associated with the entire balance sheet and not merely the annual grant budget, as available in the pursuit of the foundation's mission, and to assemble instruments deliberately rather than defaulting to the one mechanism that a particular department happens to control.

Many integrated capital strategies go further still, pairing financial capital with non-financial support such as technical assistance, network access, and advocacy, on the recognition that money alone is rarely sufficient to generate meaningful impact.

That said, most examples of ICS implementation in practice are characterized by (i) being confined to the boundaries of a single organization (i.e., foundations working across the spectrum of capital they control directly) and (ii) focusing on single projects and organizations, using the success of these entities as the primary objective function. The TCI's work on systemic investing and capital orchestration expands the concept of ICS on both of these fronts, complementing integration *within* a single organization with integration *across* different organizations, and impacts by individual endeavours with impacts at the level of whole systems.[3]

How do integrated capital strategies augment conventional philanthropic practice?

Conventional philanthropy is grounded in a bifurcated model: foundations typically grant out roughly 5% of their assets each year while investing the remaining 95% for maximum risk-adjusted returns, with a wall between the two functions.

ICS aims to dissolve that wall. By widening the menu of instruments and allowing integration, ICS lets foundations serve a wider array of capital needs of projects, initiatives, and social enterprises. Importantly, the deployment of investment capital (e.g., as PRI and MRI) creates pathways for foundations to support market-based solutions to societal issues. This can help stretch a foundation's finite resources further in cases where exit proceeds from investments are reinvested in line with the foundation's mission.

Finally, because philanthropic capital can absorb risks that private and public investors will not, an ICS can be structured to de-risk and crowd in ("catalyze") far larger pools of third-party capital, extending a foundation's effective reach beyond its own four walls.

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[2] The term *integrated capital* originates with RSF Social Finance, which used it to describe the coordinated use of diverse financial and non financial resources to support a single social enterprise across its lifecycle (Shaffer, "Integrated Capital for Social Enterprises," *Stanford Social Innovation Review*, 2014). The framing was extended to the level of the wealth owner by Sharon Schneider's practice, Integrated Capital Strategies, which applies it across a family's or foundation's full balance sheet. Both build on Jed Emerson's earlier concept of "blended value". In this document, we use the term at a third level: the strategy of a philanthropic institution deploying coordinated capital with the intent to shift a particular system.

[3] CSP's forthcoming report "Investor's Guide to Integrating Philanthropy and Investing" already works with this expanded notion and is a useful resource for those looking to get started in this direction.

How widespread are integrated capital strategies?

The adoption of ICS remains a niche phenomenon. While the United States is home to more than 125,000 private foundations holding roughly $1.5 trillion in assets, fewer than 2% of U.S. foundations use PRIs, and even fewer make them with any regularity or as part of a formal, ongoing program.

The picture on the investment side of the balance sheet is similar. In a 2024 survey of 65 foundations, the median institution had committed roughly 5% of its investable assets to impact. A separate endowment survey found that while 43% of institutions consider mission-alignment important, only 8% described their portfolio as fully mission-aligned.

Crucially, these figures reflect the *components* of an ICS, not the degree and quality of their integration. Genuine integrated capital strategies, in which program and investment teams operate as one and instruments are sequenced toward a shared objective, are rarer still. In sum, ICS remains a fringe practice.

Box 1: Beyond the foundation: donor-advised funds and the next generation of wealth

This report concentrates on institutionalized philanthropic initiatives (e.g., private foundations), but they are no longer where most new philanthropic capital is forming. Donor-advised funds (DAFs) are among the fastest-growing vehicles in U.S. philanthropy, holding over $300 billion in assets, and a large share of newly created charitable wealth (much of it from technology and finance) now flows through them and through family offices rather than through endowed foundations. Several members of our practice community have argued that this is where much of the next decade's opportunity will sit. As DAFs face no annual payout requirement and can hold their assets in investments indefinitely, they are, in principle, well suited to the patient, integrated capital that systemic work requires. And next-generation wealth owners, who tend to be less wedded to the conventional separation of giving and investing, may prove an even more receptive audience. Resolving how best to engage DAFs and next-gen wealth holders is beyond the scope of this report, but it is worth flagging here as a distinct frontier, one that any serious effort to normalize integrated capital strategies will have to address.

Image: Aerial view of New York City.
Source: Unsplash. Photo: Florian Wehde

What are the structural challenges to ICS uptake?

There are many structural challenges to the widespread adoption of ICS, partially rooted in the origin and purpose of institutionalized philanthropy.

First, the conventional foundation is built as two organizations under one roof: a program side that gives money away and an investment side that grows the endowment. This creates a challenge for the adoption of integrated capital strategies: ICS require these functions to collaborate strategically, yet they normally operate with different worldviews, identities, mandates, incentives, risk appetites, and vocabularies. Compounding this, PRIs and other blended instruments demand expertise and infrastructure (e.g., financial structuring, legal, investment expertise, and programmatic expertise) that few institutions hold in-house in the required depth and breadth. And many investment committees still treat fiduciary duty as a reason *not* to align the corpus: non-adopters are more than three times as likely as adopters to believe that impact or ESG considerations detract from returns.

Two of the most critical actors that contribute to these challenges are outsourced chief investment officers (OCIOs) and investment advisors. In many foundations, it is this layer (more than the board or the staff) that determines what's possible. Several members of our practice community described how the wrong advisor is precisely why mission alignment ends up stranded as a small program carve-out rather than reaching the endowment, and how finding the right OCIO or advisor can unlock the entire corpus. Achieving this, however, would require foundation trustees and executives to understand the criticality of having OCIOs and advisors with the right (integrated) mindset, which itself is currently a barrier.

Beyond the walls of any single foundation, the supporting market is still thin. PRI and MRI deals can sometimes carry higher transaction and due-diligence costs than conventional market-rate investments, and the field would benefit from better performance data, clearer legal guidance, and a broader advisory ecosystem. Because each deal is bespoke and labor-intensive, the potential for standardization is small, creating barriers to scale.

Image: Systemic Investing Summit 2026.
Source: TransCap Initiative

Box 2: PRI, MRI, and Catalytic Capital

Three terms recur throughout any discussion of ICS, and they are easily confused because they answer different questions. Two of them, PRI and MRI, are categories defined by U.S. tax law and the rules governing private foundations, which means they are only relevant in an American context. The third, catalytic capital, describes not a legal status but the *role* a given dollar plays and is thus applicable independent of jurisdiction.

Program-related investments (PRIs) are the most precisely defined. Under the Internal Revenue Code (the U.S. tax law), a private foundation that makes an investment jeopardizing its charitable purpose faces an excise tax under §4944a, but §4944c carves out an exception for PRIs. To qualify, an investment must satisfy a three-part test in the Treasury Regulations: its primary purpose must be charitable, no significant purpose may be the production of income or appreciation of capital, and no purpose may be to influence legislation or elections. Because their dominant purpose is charitable rather than financial, PRIs (typically made as below-market loans, guarantees, or equity) count as qualifying distributions toward the roughly 5% of assets a foundation must pay out each year under §4942, much as a grant does. They are, in effect, charitable dollars that can be recovered and recycled.

Mission-related investments (MRIs), by contrast, are not defined anywhere in the tax code. An MRI is made from the foundation's endowment and usually seeks a market-rate return while also advancing the mission. Because earning a return is a genuine objective, an MRI does not qualify as a PRI and does not count toward the payout requirement. For years, trustees feared that pursuing mission objectives alongside financial returns might breach the jeopardizing-investment rules. IRS Notice 2015-62 settled that point, confirming that foundation managers may weigh an investment's relationship to the foundation's charitable purpose when exercising ordinary business care and prudence.

Catalytic capital sits on a different axis entirely. It is not a regulatory category but a functional one, popularized by the Catalytic Capital Consortium: investment (debt, equity, guarantees) that deliberately accepts disproportionate risk or concessionary returns relative to a conventional investment, in order to generate impact and unlock third-party capital that would otherwise stay on the sidelines. Its defining qualities are that it is patient, risk-tolerant, concessionary, and flexible. A PRI is very often catalytic capital, but catalytic capital can equally be deployed by family offices, corporations, or development finance institutions, none of which are bound by the tax rules applying to foundations.

In short, PRI and MRI describe *where an instrument sits* in relation to the foundation rulebook, while catalytic capital describes *what that instrument is asked to do*.

2.2 Systemic Investing in the Context of Philanthropy

What is systemic investing?

Systemic investing is a capital deployment logic designed to address complex societal issues (climate change, biodiversity loss, social inequality, etc.) by transforming existing or developing new real-economy systems, such as energy, food, and mobility systems, industrial supply chains, as well as cities, landscapes, and coastal zones. While systemic investing is not prescriptive of the type of impact to be achieved—and, indeed, could be practiced for a wide range of societal outcomes, including those not generally considered "progressive"—the TCI's work is in service of a sustainable future for nature and society (oriented around the UN's Sustainable Development Goals).

At the heart of this investment logic sits a set of axioms about the kind of change we need to see in the world, how that kind of change is most likely to occur, and what that means for the deployment of purpose-driven capital. Specifically, if we are to build a low-carbon, climate-resilient, just, and inclusive society, we must transform (i.e., deeply and structurally change) the systems on which society depends. Such change is rarely the effect of a single company, project, or social enterprise but most often results from the combined effects of a great many things happening within a system with a high degree of strategic alignment; namely, changes in technology, business models, physical infrastructure, policies, regulations, social norms and values, consumer behavior, and the like.

The interventions needed to affect such changes tend to have different financing needs, including market-rate and concessional investment capital, philanthropic grants, public-sector taxes, subsidies, and procurement rules, and de-risking mechanisms such as insurance and advanced market commitments. No single organization has agency over all of these financial instruments. In addition, each system is unique, meaning the driver of systemic problems and the response required must be tailored to each city, food system, or transportation network. It therefore follows that capital seeking to transform systems must flow in ways that are...

- **Strategic:** in pursuit of a transformational intent, guided by a theory of transformation, and informed by systemic intelligence;
- **Integrated:** across the capital spectrum, into multi-lever strategic intervention portfolios, by multi-stakeholder coalitions; and
- **Contextual:** in specific places and supply chains, across the macro, meso, and micro layers of a system, and in inclusive and participatory ways.

Investors can act upon these three **strategic imperatives** by adopting a set of methods and tools referred to as **hallmarks,** such as using systems analysis to understand a problem, looking for ways to nest investment activities within a broader systems-intervention approach, and using learning and sensemaking to understand progress and follow-up actions.[4]

The Toolbox of Systemic Investing

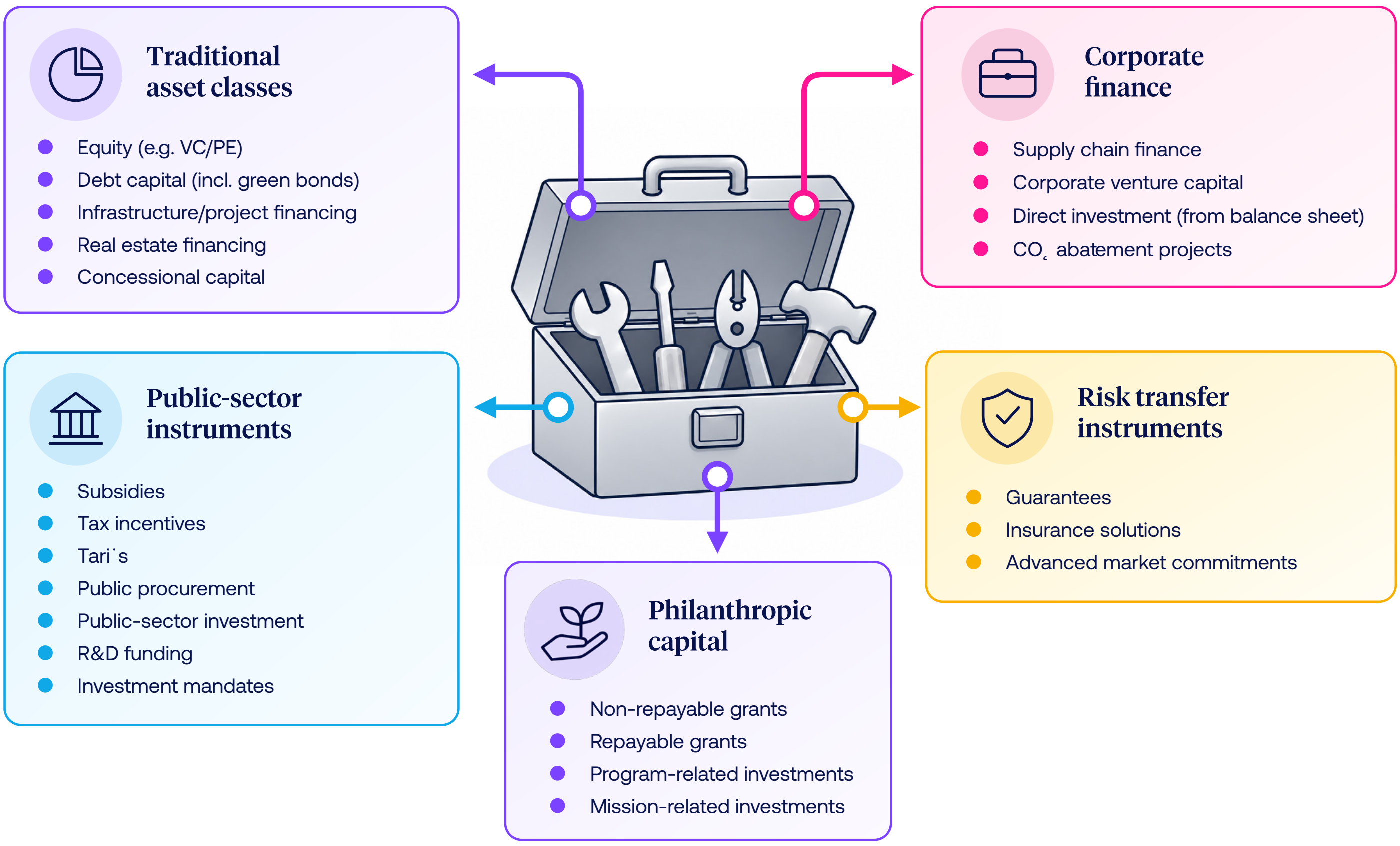


Figure 1: The toolbox of systemic investing spans a wide range of financial instruments, including many that are beyond what foundations have agency over, and even beyond what is typically associated with the term "investing". (Source: TransCap Initiative)

4 For more on the "why" and "what" of systemic investing, read the white paper "Transformation Capital – Systemic Investing for Sustainability" and the document "Definition and Hallmarks of Systemic Investing". To get a sense of what systemic investing looks like in practice, have a look at these case studies.

How does systemic investing relate to philanthropy?

Today, most foundations tend to ask themselves how the capital they have at their disposal (whether grants, PRI, or MRI) could generate the greatest impact in their programmatic priority areas. Systemic investing invites foundations (and any other purpose-driven capital deployer) to **work from the issue backward:** to study the drivers of systemic problems and then work out how much capital, of what kind, and deployed in which way, would trigger shifts in the system. This leads to a realization that foundations should mobilize all tools in their toolbox in integrated and coordinated ways; in other words, it provides the strategic argument for integrated capital strategies.

But ICS usually refers only to tools that foundations have at their own disposal; it does *not* pull into view those other financial instruments typically required to shift a system that are controlled by other societal stakeholders such as private-sector investors (investment managers, asset owners, banks), governments, insurance companies, and the like. Systemic investing widens the aperture, providing the impetus for strategic engagement in multi-stakeholder coalitions.

In that sense, systemic investing can be understood as an *advancement* of ICS rather than a radical reinvention. In fact, many foundations are already systemic investors in all but name, funding research, convening stakeholders, seeding social enterprises, de-risking private investment, and advocating for policy change, all of which are typically part of a systemic investment program. What such efforts often lack, however, is the explicit logic and deliberateness that would unlock the full impact potential of the approach.

> *"After twenty years, 'impact investing' doesn't mean much to most people anymore. It's time to redefine it."*
>
> – SANTHOSH RAMDOSS, GARY COMMUNITY VENTURES

> *"PRIs and MRIs are for the people who run a 5K every now and then. Systemic investing is for the high-performance athletes."*
>
> – DOUG BITONTI STEWART, MAX M. & MARJORIE S. FISHER FOUNDATION

The unique opportunity of foundations embracing an advanced, systemic approach to allocating resources stems from their positionality in the landscape of capital deployers. Philanthropic initiatives have a set of unique traits that differentiate them from other societal stakeholders in the "capital stack":

- **Expertise:** Few have as good a grasp of the complex, systemic nature of societal issues as the program officers working in philanthropy.
- **Commitment:** Foundations tend to be "impact first", operating with freedom from maximizing financial return and with long time horizons.
- **Mandate:** Systemic investing, as an impact-oriented capital deployment approach, organically connects to most foundations' mission and is thus often part of their mandate already.
- **Flexibility:** Foundations are arguably the most flexible capital deployers, able to work across the entire risk/return spectrum and mobilizing the widest array of financial instruments.
- **Legitimacy:** Most foundations operate with a charter (and within a regulatory framework) that forces them to look for positive societal outcomes (rather than maximizing outcomes for specific interest groups), which can confer upon them greater societal legitimacy than profit-maximizing stakeholder groups.

These five traits distinguish foundations from other capital providers and make them uniquely well positioned to anchor, or at least support, systemic investment programs.

Box 3: Examples of foundations practicing systemic investing

The TransCap Initiative has documented three philanthropic efforts whose practice (though none of them routinely uses the term) exemplifies systemic investing on the ground.

Builders Vision's Oceans Strategy: Launched by Lukas Walton in 2021, Builders Vision is an impact platform and family office working to "shift markets and minds for good" across oceans, food and agriculture, and energy. Its oceans strategy is organized not around individual deals but around a 2050 "North Star" for healthy ocean ecosystems, a shared problem analysis, and a theory of change that a single cross-functional team of grantmakers and investors pursues together. That team works across the full spectrum of capital, from market-rate fund investments to patient, risk-tolerant catalytic capital (often deployed as the fi st sizable commitment into a fund so as to crowd in other investors), alongside non-financial support and policy advocacy.

Gary Community Ventures' Housing Program: Based in Colorado, Gary Community Ventures is a philanthropic initiative working to improve the lives of the state's children and families and intending to spend down and close by 2035. Its housing work treats Colorado's affordability crisis as a structural problem in housing finance rather than a shortage of grants, and attacks it with four integrated approaches wielded by one team: concessionary and market-rate impact investments, venture building, catalytic grantmaking, and policy advocacy. Having diagnosed the gaps leftb y the federal government's Low-Income Housing Tax Credit (LIHTC), Gary made program-related investments into vehicles such as the Colorado Housing Accelerator Initiative (CHAI) and incubated the Dearfield Fund for down-payment assistance, while also driving Proposition 123, a 2022 ballot measure that unlocked roughly $300 million a year in state housing funding.

The GroundBreak Coalition: Catalyzed by the McKnight Foundation in the aftermath of George Floyd's murder, GroundBreak is a coalition of more than forty foundations, banks, CDFIs, insurers, and corporations in Minneapolis–St. Paul, working to close one of the country's widest racial wealth gaps. It functions as a financial backbone that orchestrates many actors' capital toward three mutually reinforcing levers: homeownership, business ownership, and commercial development. Philanthropic and impact funders supply grants, concessionary loans, and guarantees that unlock "GroundBreak-aligned" lending from mainstream banks, which the coalition engages to permanently revise the risk-assessment policies that have historically disadvantaged Black borrowers.

Image: Ocean photograph
Source: Unsplash. Photo: Christoffer Engström.

How does systemic investing strengthen philanthropy?

Conventional philanthropy—even sophisticated, integrated-capital philanthropy—tends to organize itself around individual grantees, projects, and investments, asking of each to deliver a particular kind of impact. Systemic investing instead asks what it would take to transform an entire system, with and through those portfolio positions, and treats every instrument the foundation controls as a means to that end.

For a philanthropic initiative, this is a substantial augmentation of its impact potential. Drawing on the disciplines of systems thinking, systems innovation, and complex systems science, systemic investing provides the tools and methods (theory of transformation, systems analysis, leverage point analysis, etc.) needed to convert a collection of well-chosen but often loosely related grantees and investees into a strategic portfolio of synergistically connected interventions capable of shifting an entire system.

In doing so, it also clarifies where philanthropic capital is most valuable. Because foundations hold the most patient, flexible, and risk-tolerant money in the capital world, systemic investing can help direct that money toward the leverage points and enabling conditions (nascent technologies, coalitions, policy groundwork, market infrastructure) that more conventional capital cannot or will not finance, and from which foundations can crowd in far larger amounts.

There is another benefit that systemic investing promises: impact resilience. Much of what philanthropy has achieved rests on policy wins, i.e., gains that can be undone by a change in the political landscape. Several participants in our practice community have argued that systemic investing is, among other things, a durability strategy: by building solutions capitalized across many sources rather than dependent on a single policy or funder, it makes progress harder to reverse and more resilient to shocks and political change.

Image: TransCap Initiative workshop.
Source: TransCap Initiative.

2.3 The Role of Capital Orchestration in Philanthropic Missions

What is capital orchestration?

An integrated capital strategy aligns the instruments that a single foundation controls. Capital orchestration does the same thing across the many actors and instruments that no single institution has agency over. We define capital orchestration as the strategic mobilization, coordination, and deployment of financial capital—drawn from multiple providers and spanning the full spectrum of instruments—in pursuit of a shared transformational goal.

Capital orchestration is a function that needs to have a "home". The TransCap Initiative's white paper on the subject calls that home a **financial backbone:** an entity dedicated to changing the way money moves through a system, so that the right kind of capital, in the right amount, reaches the interventions with the greatest potential to accelerate a transition. A financial backbone fills the gap between two worlds that rarely meet: generic systems orchestration on one side and purpose-driven capital deployment on the other.

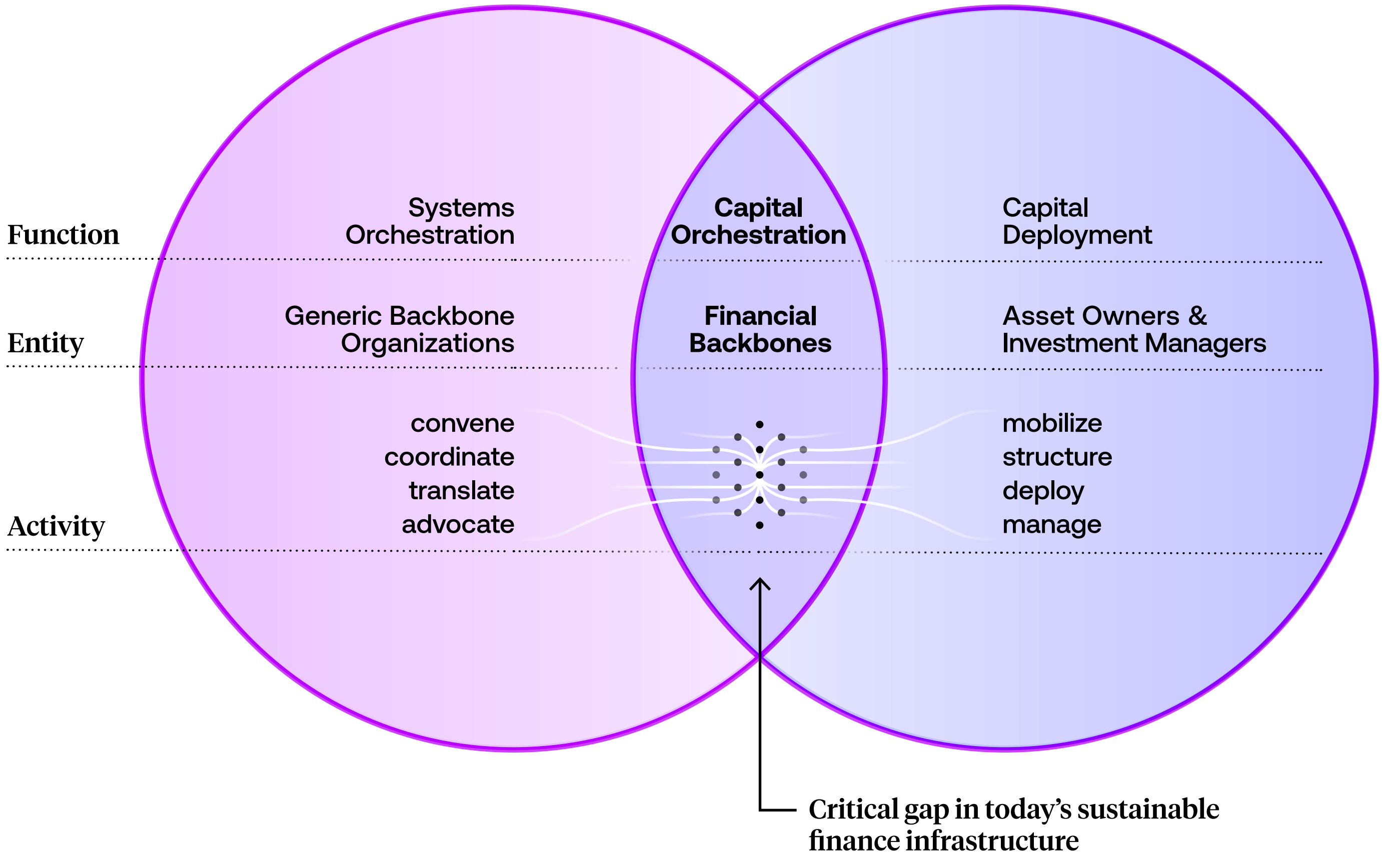


Figure 2: Financial backbones fill the gap between (generic) systems orchestration performed by (generic) backbone organizations and capital deployment performed by financial institutions. They are a critical missing piece in the purpose-driven finance landscape performing an increasingly important function. (Source: TransCap Initiative)

The activities involved in capital orchestration can be grouped into four families:

- **Developing and stewarding a collective vision and strategy,** including generating the systemic intelligence that tells a coalition how much capital, of what kind, is actually needed and where,
- **Building and nurturing long-term partnerships:** convening multi-stakeholder coalitions, translating between groups that speak different languages, and running the shared learning and sensemaking that holds a coalition together,
- **Intermediating capital:** structuring and seeding new financial vehicles where gaps exist, and connecting capital providers with capital seekers; and
- **Supporting the coalition itself:** building and nurturing its governance, conducting performance measurement, engaging in advocacy, and mobilizing resources.

Box 4: Examples of capital orchestrators

Capital orchestration is not a hypothetical. Two efforts—one already operating, one still being built—show what a financial backbone looks like in practice.

The GroundBreak Coalition (operating): Introduced earlier in this report, GroundBreak is the clearest working example of a capital orchestrator the field currently offers. It is not a one-off blended fund but a standing entity, a piece of social and financial infrastructure built to change how capital moves through a single system. It works from the issue outward rather than from any one funder's portfolio, which is what lets it hold some forty otherwise-disjointed actors in alignment, performing the core orchestration functions: convening and translating between philanthropy and mainstream finance, structuring shared financial vehicles, and governing the coalition with built-in checks and balances. Importantly, it holds and manages its own capital pools, which give it the standing to move larger pools of capital that it doesn't control directly.

Second Growth Midwest (in formation): SGM is a financial backbone that the TransCap Initiative is building from the ground up. Its origins date back to the development of a transition map of the region's agricultural system (2024), which surfaced the leverage points where financial resources could tip the system toward regenerative practice. On that basis, and with funding from the Walton Family Foundation and The Rockefeller Foundation, TCI convened a 20-member "design council" consisting of farmer networks, technical-assistance providers, NGOs, asset managers, and funders to co-design the orchestrator over a six-month design process. The result is a platform meant to combine philanthropic, private, public, and corporate capital (grants, debt, equity, guarantees) into coordinated portfolios built around a transformational mission, with the aim of moving Midwestern farmland to regenerative practice over the coming decade under the motto "more capital, better deployed."

Why is capital orchestration needed?

System change is rarely the product of any single intervention but most often emerges from the *combined* effects of many interventions moving in the same direction. Consider the electrification of a mobility system, which requires not only that people buy electric vehicles, but that renewable power, grid capacity, charging infrastructure, insurance products, used-car marketplaces, and end-of-life recycling all arrive together. Each element makes the others more valuable and less risky, a phenomenon referred to as **combinatorial effects.**

Combinatorial effects do not arise on their own but instead have to be engineered across the interventions (and therefore across the capital) that produce them. Those interventions tend to have their own financing requirements: Some are investable with market-rate or concessional capital; others need grants or public subsidy; others still depend on insurance, supply-chain finance, carbon revenue, or advance market commitments. Each of these instruments is usually controlled by a different stakeholder group: banks, investment managers, asset owners, CDFIs, governments, corporations, insurers, and the like. In other words, a great many different stakeholders sit around the "systemic investment table", raising the question of how these stakeholders can be coordinated.

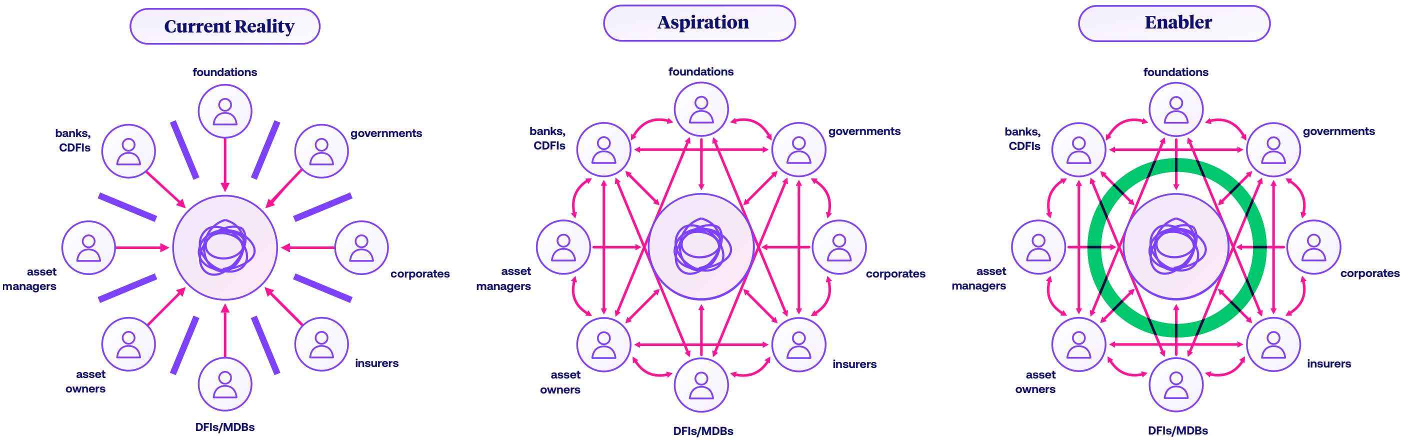


Figure 3: A great many different societal stakeholders sit around the "systemic investment table". Most often, they look at the same societal issue from their unique vantage point, using their own mindset, worldviews, and mandates to make sense of the problem and intervene in it, most often in siloed fashion with little coordination with other stakeholders ("Current Reality"). The goal must be for each of these stakeholders not only to know of each other but to collaborate in a strategic fashion so that the different strategies and tools at the disposal of each group can be synergistically aligned ("Aspiration"). Building those bridges and "translating" among different actor groups requires a dedicated function: a financial backbone ("Enabler", represented by the green ring).
(Source: TransCap Initiative)

Figure 3 makes both the opportunity and the problem visible: the opportunity of working across a far wider spectrum of capital than any one institution commands, and the problem that doing so requires someone to coordinate actors who today sit in separate spheres, work on separate timetables, and pursue separate mandates.[5]

That coordinating role, however, is one that nobody currently holds. Operationalizing systemic investing raises a set of challenging practical questions: Who generates and shares the systemic intelligence that should guide funding decisions? Who convenes the coalition and translates among its members, who often hold different worldviews, operate under different mandates, and speak different professional languages? Who runs the learning and sensemaking infrastructure, measures progress, and holds the collaboration together over the years such work takes?

[5] Our practice community pointed out one such opportunity as the largely uncoordinated relationship between perpetual and spend-down foundations. The two have naturally complementary profiles: spend-down funders are often freer to take the catalytic, fr st-loss, impact-fr st positions, while perpetual endowments bring scale and patience. Yet, they rarely deploy in concert. As one participant put it, there is a "strategic jigsaw" here that almost no one is assembling.

In today's ecosystem, no actor has the express mandate to do so. Financial institutions are built to deploy the capital they control, not to orchestrate the capital of others. Generic backbone organizations are skilled at orchestrating systems but typically lack the expertise, networks, and compliance infrastructure to engage with finance at any meaningful level of depth. Capital orchestration represents a gap between the two stakeholder groups, and it is exactly this gap that a financial backbone exists to fill

Foundations, with their mission orientation and convening power, are well-positioned to incubate and support financial backbones. Whether they should perform this function themselves depends on context. What's key is that the orchestration function is played from the systemic issue outward, not from the interests and constraints of any one money holder. In some situations, a foundation might be a perfectly legitimate and effective capital orchestrator. In other situations, it might struggle to be seen as the neutral broker the role demands and/or find its own agenda quietly steering the coalition, in which case it would be better to work through an independent entity.

What's also important to keep in mind is that capital orchestration work unfolds in a thicket of regulation, risk aversion, and bureaucratic process (committee-based decision-making, stringent impact reporting, fiduciary and compliance constraints) that would leave most foundations ill-suited to the patient, trust-based, and adaptive coordination that capital orchestration requires. The likeliest exception is a foundation with a strong, specific mandate for a single system or place, for which orchestrating directly may make sense. For everyone else, the more promising contribution might be not to *be* the orchestrator but to help one exist and to plug into it (cf. Section 3.2).

Box 5: Collective impact as the intellectual origin of the idea of financial backbones

The notion that systems change requires orchestration (and therefore dedicated "backbones") is not new: It comes from the literature on *Collective Impact*, the argument (introduced by John Kania and Mark Kramer in a 2011 SSIR article), that large-scale social change requires many organizations to align around common agendas, shared measurements, and mutually reinforcing activities, held together by a backbone organization that convenes and sustains the effort. Such backbone organizations (also called "field catalysts" or "network weavers") convene, coordinate, translate, and advocate. What they rarely do is engage financial capital. A financial backbone xtends the mandate of a (generic) backbone organization to mobilize financial capital, and therefore coordinate financial stakeholders, applying the logic of systemic investing.

3) Integration

3.1 How systemic investing augments integrated capital strategies

There are six ways in which the central logic and hallmarks of systemic investing (SI) augment integrated capital strategies (ICS). They can be grouped into an internal perspective (i.e., relating to how philanthropic initiatives are organized and how they operate) and an external perspective (i.e., relating to how philanthropic initiatives interact with the outside environment).

Internal Perspective

1) Methods and tools from SI can strengthen the execution of ICS

Systemic investing invites capital deployers to view societal issues through a systems lens and to adapt tools from systems thinking, systems innovation, and complex systems science to make sense of problems and the actions needed to address them. This includes:

- **Systems Analysis:** Creating stakeholder maps, causal loop diagrams, and transition maps to analyze the drivers of a systemic issue, explore leverage points (where interventions can lead to outsize impact), and identify modes of engagement for financial capital
- **Strategic Portfolios:** Building portfolios of interventions that span different levers of change[6] and are strategically connected to one another in order to generate synergies through combinatorial effects
- **Systems Intelligence:** Using learning and sensemaking protocols to deepen understanding of a problem, evaluate change in a system, and gain insights to inform follow-on action

2) SI makes the case for the enlargement of the ICS toolbox

The conventional ICS toolbox typically focuses on non-repayable grants, PRIs, and MRIs. Some of the more advanced ICS practitioners also use recoverable grants, guarantees, and a range of creative instruments for their PRI and MRI deployments. Still, the financial mechanisms "in play" are usually limited to those that foundations control.

Systemic investing invites philanthropy professionals to consider all of the drivers that keep systemic issues in place. This will, in most cases, lead to the inevitable conclusion that making progress on those issues will require the synergistic alignment of a wide array of financial instruments, such as market-rate and concessional capital (from private-sector investors), loans and mortgages (from banks), taxes, subsidies, and tariffs (from governments), insurance products and services (from insurers), as well as balance sheet investments, supply chain finance, and advanced market commitments (from corporations) (cf. Figure 1).

Some of these interventions are outside the scope of what philanthropic initiatives can do. For instance, a foundation cannot directly change the tax code. However, with some creativity, foundations can imitate "some of them, for example, by providing guarantees (imitating insurance) or providing working capital (imitating supply chain finance). More importantly, foundations can use their program staff and grant resources to engage with those organizations with agency over other levers of change to bring them into synergistic alignment with a shared vision for change.[7]

[6] e.g., novel technologies and business models, changes in policy and regulation, new pieces of physical, social, and digital infrastructure, innovative educational formats, changes in social norms and values, new narratives, etc.

[7] An example of this comes from the GroundBreak Coalition, which engages with commercial lenders (banks) with the aim of minimizing the racial bias in lending decisions on mortgage applications (cf. case study here).

3) SI makes the case for the stronger integration of tools

The co-existence of grants, PRI, and MRI within the same institution does not, per se, create the kind of combinatorial effects needed for transforming systems. For that, a sufficient degree of integration—i.e., intentional coordination—is required. Yet all too often, such integration does not happen to the extent required, with investments being too loosely coordinated with grants. One major reason for this is that the teams, processes, and decision-making structures for grants and investments often remain separate, and the quality of collaboration across those siloes remains insufficient.

> *“If I need a PRI for one of my programs, I often go to another foundation for that, not my own.”*
>
> – ANONYMOUS MEMBER OF THE PRACTICE COMMUNITY

One of the defining axioms in systemic investing is that systemic shifts are rarely the result of a single intervention but most often result from the *combined* effects of many different interventions with shared directionality. In other words, it is critical to bring different interventions, and the financial tools enabling them, into a high degree of alignment, which requires intentional coordination. Systemic investing thus compels investors to organize themselves in ways that enable such integration through strategy, organizational design, and ways of working.

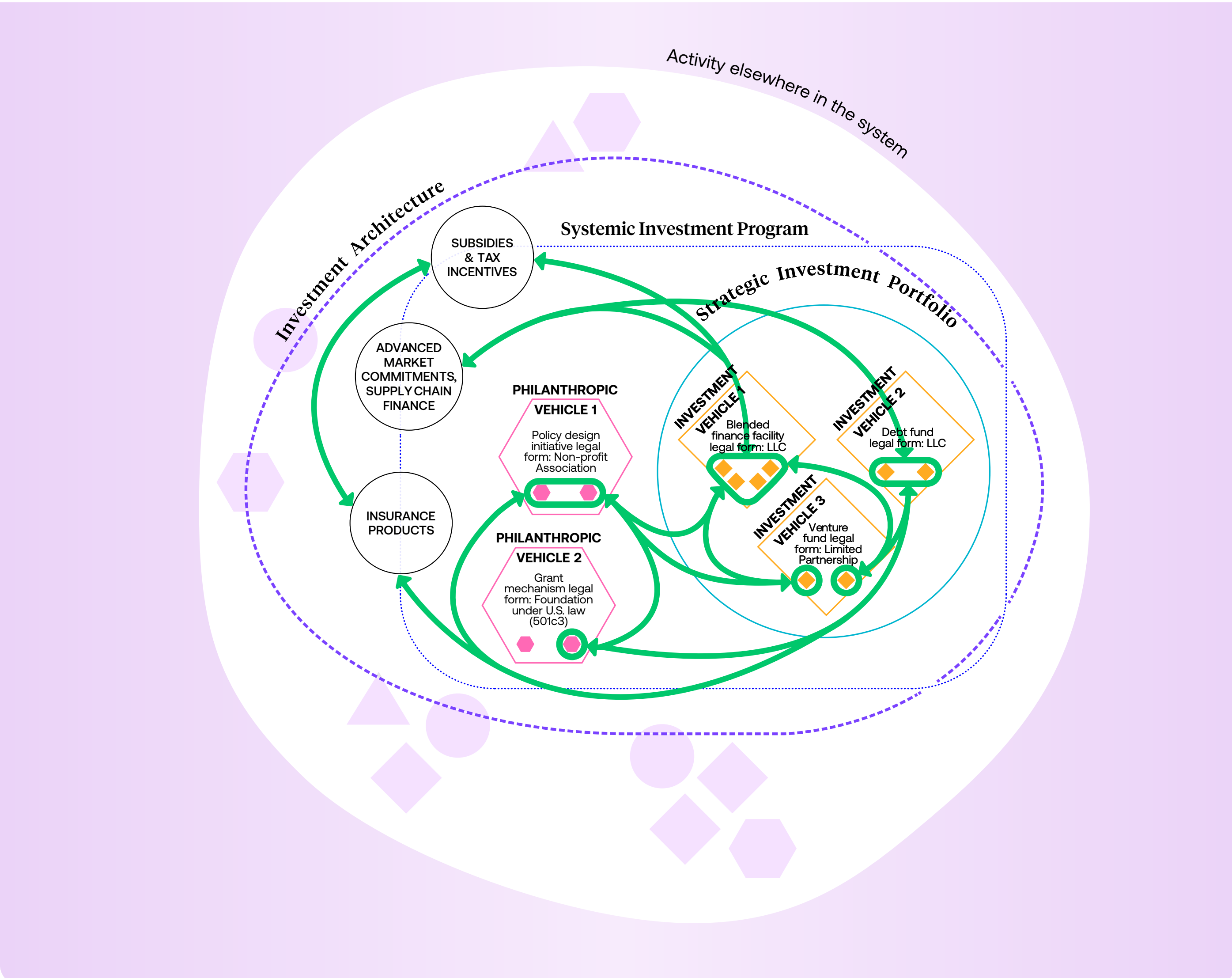


Figure 4: In systemic investing, a key assumption is that systemic shifts are enabled by combinatorial effects, i.e., the strategic synergies between different financial interventions (green arrows). This highlights the importance of a high degree of integration among different financial tools. (Source: TransCap Initiative)

External Perspective

4) SI encourages foundations to participate in capital coalitions

Point #3 above argues that intentional coordination can and should be achieved *within* individual philanthropic initiatives, but it can and should also be accomplished *across* different philanthropic initiatives and other societal stakeholders. This points to the need for foundations to participate in multi-stakeholder capital coalitions.

Coalitions are no rarity in philanthropy, both in terms of project-focused, one-off collaborations as well as longer-term, strategic partnerships. However, most coalitions are grantmaking coalitions, and few include stakeholders from the public and private sectors who control financial instruments not at the disposal of foundations. There are two primary reasons for this. One is that foundations and investors operate in separate spheres, with different mandates, methods, cultures, and vocabularies. The other is a widespread frustration of philanthropy professionals with the attitude of private-sector investors, who often expect philanthropy to de-risk their investments based on notions of mandates, fiduciary duty, or market expectations.[8]

Systemic investing emphasizes the importance of working with a broad toolbox of financial instruments, which invites foundations to work more deeply and strategically with other capital providers, including private-sector investors and public-sector entities. Such collaboration *can* happen on a deal-by-deal basis but should, ideally, materialize as long-term strategic partnerships that span multiple transactions and are steeped in trust-based relationships. In such coalitions, there will often be a need to build the social infrastructure (a coordination platform, shared language, convenings, etc) to enable these relationships to emerge, which financial backbones can provide.

Financial backbones can also facilitate a conversation about the terms under which different members of the coalition engage, including around questions of risk and return sharing. Sometimes, this may lead to calls for private-sector investors to adjust their expectations, particularly in terms of risk and liquidity. In many cases, however, the challenge is not around *actual* issues but *perceived* issues (such as with the riskiness of investments), and financial backbones can play an important role in correcting misconceptions, explaining the opportunities of coordinated capital deployment, and building investor confidence in systemic investing more broadly.

5) SI makes the case for supporting financial interventions

Many foundations neither have programs focused on innovative finance nor recognize finance as a relevant, transversal lever of change within thematic program areas. As a result, interventions looking to change capital flows often don't fit funding priorities.

Applying a systems lens to societal issues makes a compelling case for interventions around financial instruments and on the finance system more broadly. It invites foundations to consider the need for new investment funds (not just for capitalizing those funds with investment dollars, but also providing grant support to teams looking to establish new investment structures), advocacy efforts aiming to change tax codes, innovators working on new insurance solutions, or financial backbones focused on capital orchestration.

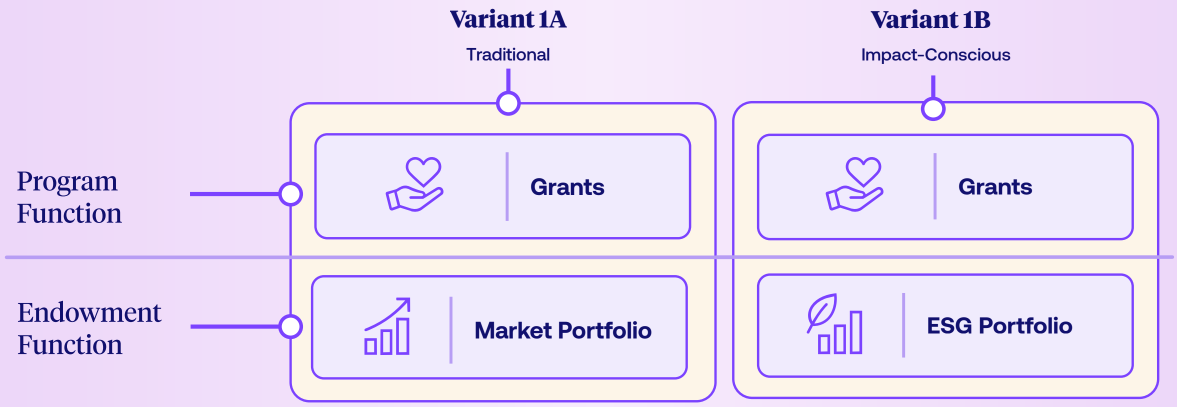
6) SI makes the case for philanthropy to engage in field-building and capital orchestration

Due to their expertise and flexibility, foundations are uniquely positioned to play a role in field-building and capital orchestration. Few foundations today have mandates that extend beyond their programmatic and thematic priorities, to the meta-level of the field of philanthropy and purpose-driven capital deployment at large. Systemic investing invites foundations to consider an expansion of their scope, because in order to shift systems, it's critical that we find ways to mobilize more financial resources and find ways of deploying those resources more effectively.

[8] This frustration points to a distinction the practice community drew out: between *de-risking* (philanthropy *absorbing or transferring* risk so private capital can engage on market-rate terms) and *risk reassessment,* where the aim is to make the system price risk correctly in the fr st place. GroundBreak's work with banks aimed at reducing racial bias in assessing the creditworthiness of Black borrowers is the latter: not subsidizing a bad risk but correcting a mispriced one, which tends to make it more appealing to foundations to provide sub-market (catalytic) capital.

Box 6: A schematic representation of how systemic investing advances integrated capital strategies

Model 1 Traditional



The conventional model of philanthropy runs on a structural separation between a program function deploying grants and an endowment function managing the foundation's assets. In smaller organizations, those functions might be vested within the same teams (but kept functionally separate), whereas in larger organizations, the functions are usually performed by different teams with different cultures, mindsets, identities, incentive structures, and ways of working. Traditional foundations invest their endowment in a market portfolio, seeking to maximize risk-adjusted returns (Variant 1A). Impact-conscious foundations might consider ESG factor integration or systemic risks in the management of its endowment (Variant 1B).

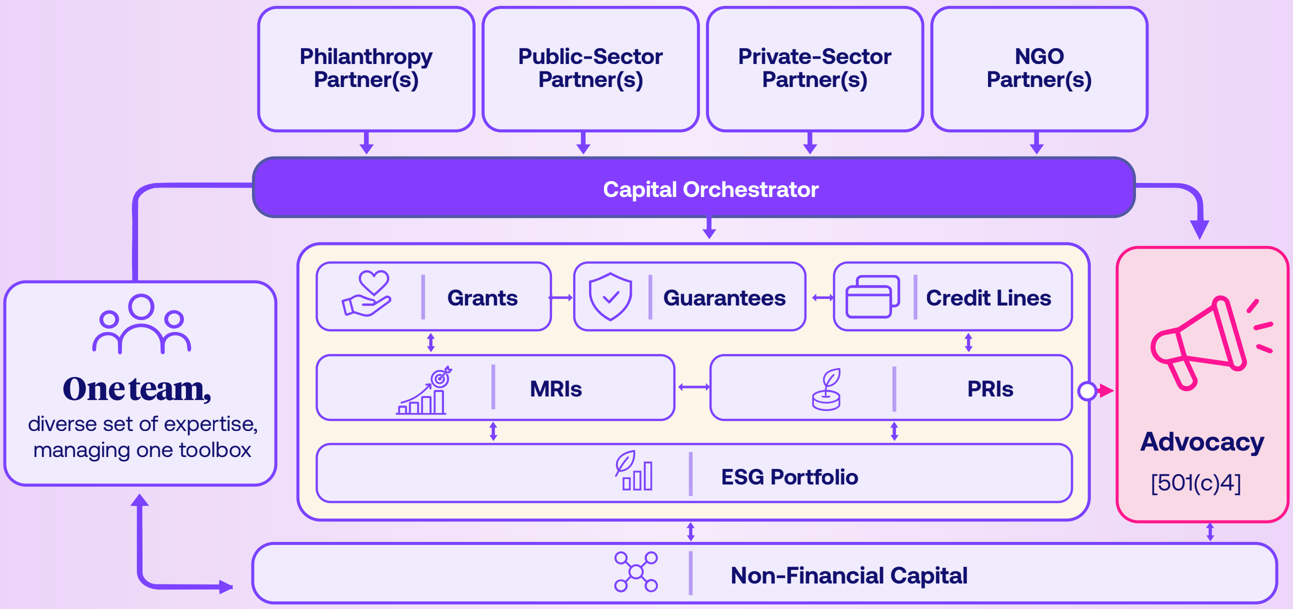
Model 2 Impact Committed

An evolved model leads to the introduction of MRIs and PRIs as "satellites" sitting alongside a traditionally managed "core" portfolio, the latter of which typically still accounts for the majority (>95%) of the foundation's endowment. Often, MRIs and PRIs are managed by the same team that manages the rest of the endowment (Variant 2A), but sometimes at least PRIs are operationalized as a collaboration between investment professionals and program specialists (Variant 2B).

Model 3 Integrated

A highly advanced model breaks with the separation of investment teams and program teams and moves to a "one-team", tool-agnostic set-up. In this model, a diverse and broadly-skilled team of investors and grantmakers manage a flexible portfolio of financial instruments. Often, these instruments are deployed through different legal entities so as to maximize flexibility while staying compliant with applicable regulation. Such a model benefits from the absence of silos but requires team members to be knowledgeable about all different forms of capital.

Model 4 Systemic



The systemic model advances Model 3 in two distinct ways. First, it promotes the even stronger integration of the tools at the disposal of individual philanthropic initiatives (pink arrows). Second, it introduces interfaces with external functions, such as capital orchestration (purple arrows), which can serve as a connective tissue to other stakeholders, and meta-level activities such as field-building

3.2 How philanthropic initiatives could interface with external capital orchestrators

In many situations, capital orchestration will be best performed by a dedicated entity (a financial backbone) rather than by a foundation itself.[9] The practical question, then, is not whether a foundation should *become* an orchestrator but how it might *interface* with one. Several roles are possible, and a single institution may occupy more than one at the same time:

> *"Can I just keep deploying my grants and be orchestrated rather than orchestrating? That's the real question of role."*
>
> – JASON JAY,
> MIT SLOAN SUSTAINABILITY INITIATIVE

Role 1 – Capital Provider: The most straightforward mode of engagement is for a foundation to deploy capital under the guidance of an orchestrator, i.e., to channel grants, concessionary loans, guarantees, PRIs, and MRIs into vehicles, pools, and assets that form part of a systemic investment program coordinated by a financial backbone.

Role 2 – Catalyst: A foundation can also supply the catalytic tranche of a capital pool deployed directly by the financial backbone, taking the first loss or providing the guarantees that let the financial backbone crowd in the larger, more risk-averse capital of banks, insurers, and public agencies. In this case, philanthropy de-risks private-sector investment but leaves the heavy lifting of coordination to an intermediary.

Role 3 – Incubator: A critical role for philanthropic initiatives is to help orchestrators come into existence in the first place. Because financial backbones require resources to stand up and are rarely self-funding in their early years, philanthropic capital is often what gets them off the ground: grants for design work, tech and data infrastructure, governance, and for the core backbone team, plus multi-year working capital.[10]

Role 4 – Steward: Finally, the interface between foundations and capital orchestrators need not be financial at all. Some of the most valuable things a foundation can bring to an orchestration effort are its program staff's systems intelligence, its relationships with other grant and capital holders, its convening power, and the legitimacy to bring private- and public-sector actors to the same table.

The practice community raised important points about the sequence with which foundations might adopt any of the roles described above, or, even more generally, move from a conventional operating model toward integrated or systemic capital deployment. It would be tempting to assume that the sequence always needs to start with a foundation first integrating its own operations and only then reaching outward. However, several members of our practice community suspect the reverse, i.e., that it might be easier to look for alignment with other organizations (in other words, integrate *across* organizations) first, thereby getting acquainted with the practice before making structural adjustments internally. That's because in-house integration tends to be challenging due to cultural and institutional constraints, whereas the more relational work of coordinating across organizations can be a lower-barrier place to start. **In that sense, engaging with a capital orchestrator might not be the advanced move that follows internal integration but rather the on-ramp to it.**

In any case, what capital orchestration could look like in practice and how the work can be funded in the long run remain two open questions of critical importance. The pool of financial backbones in operation is still small, and the conventions for working with them are barely formed. One of philanthropy's most consequential contributions in the coming years will be to help more of these intermediaries come into being in the first place.

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[9] The exception will most likely be true for foundations with a strong mandate for a specific system/challenge constellation, for whom it could make sense to perform the capital orchestration function directly. That said, the nature of capital orchestration and the presence of idiosyncratic constraints that many foundations (at least existing ones) operate within make it likely that the establishment of a dedicated entity (or the expansion of the mandate of an existing generic backbone organization with a capital orchestration function) will often be the most promising approach.

[10] The McKnight Foundation's role in catalyzing the GroundBreak Coalition is an example of a funder playing exactly that part.

Box 7: The role of catalytic capital in systemic investing and capital orchestration

Any investment or grant can be "catalytic" if it unlocks third-party capital that would otherwise not flow. Often, generating this catalytic effect requires money to operate on sub-market terms, i.e., by accepting disproportionate risks or concessionary returns. As such, catalytic capital can be seen as one layer in the "capital stack" of a systemic investment program, sitting alongside market-rate investment capital, philanthropy, and other forms of finance.

There is nothing in the theory and practice of systemic investing that suggests that all capital in a systemic investment stack must be concessionary or philanthropic. In fact, it's reasonable to assume that there will always be market-rate investment opportunities in every systems change process. And yet it's also reasonable to assume that catalytic capital will play an important role in any systemic investment program, because the nature of societal challenges is such that market-rate investment capital alone will rarely be able to transform a system.

In any case, concessionary capital can be provided in multiple forms. The most common is the provision of concessionary debt and equity by foundations (e.g., as PRI and MRI) and impact-fir st investors. But there are also other possibilities: governments could offer loan programs on favorable terms or guarantee programs that make lenders whole in case of a default of a borrower; insurance companies could offer insurance products on favorable terms, where risk transfer is a major impediment to change; and corporations could enter into advanced market commitments, thereby absorbing the consumer demand risk that otherwise producers would have to carry, and they could offer supply-chain finance to companies that would have a hard time borrowing from a bank.

The more stakeholders involved, the more important it is to have orchestration, particularly to generate the systemic intelligence to know where catalytic capital can have the highest impact, and to make sure catalytic investors deploy capital in ways that are complementary to what others are doing. This is where financial backbones can make a difference, as they enhance catalytic capital deployment in four critical ways:

- **From one-off transactions to long-term programs:** Today, catalytic capital is often deployed in one-off transactions between investors and investees. Because capital orchestrators are enduring "infrastructure", they can channel catalytic capital continuously, over longer time horizons, and with responsiveness to the evolving needs of a system.
- **From one-to-one to many-to-many:** Today, catalytic capital is often deployed by individual investors into specific assets in a one-to-one logic, usually with a single asset class. Because capital orchestrators can play an aggregation role, they can raise catalytic capital from multiple sources and spanning multiple asset classes, and direct that capital to multiple investees in a many-to-many logic.
- **From single-company impact to portfolio impact:** Today, catalytic investors tend to make impact assessments based on single companies and projects. Because capital orchestrators operate in a portfolio logic, they can direct capital in a way that maximizes the impact across all investments.
- **From market participating to market making:** Today, catalytic investors take the investable universe as given. Because capital orchestrators play a backbone role, they act as de facto "market makers", increasing both the supply of and demand for catalytic capital (through investor education and pipeline preparation) while playing a matchmaking role between investors and capital seekers.

All of this means that capital orchestrators provide a pathway to deploy catalytic capital with greater speed, responsiveness, and cost efficiency, and at greater scale. And because capital orchestrators take a multi-stakeholder approach by design, they can also widen the pool of catalytic capital providers beyond foundations and private-wealth impact investors, to include governments, public-sector strategic finance initiatives, insurance companies, banks and CDFIs, and corporations/supply-chain companies.

3.3 What it would mean to adopt systemic investment principles in ICS

For foundations looking to adopt systemic investment principles, the first and most demanding shift is one of **mindset.** This includes de-emphasizing attributable, quantifiable impact and instead seeing a foundation as one contributor to a systemic shift among many. It also means giving up the sense of control and embracing the discomfort of working in complexity, where outcomes are emergent and causality is diffuse.

These mindset shifts carry over into the **definition of success** that a foundation uses. A systemic lens diverts attention away from outputs (units funded, dollars deployed, people reached) toward the more fundamental question of whether the system itself (structures, dynamics, feedback loops) is beginning to shift. Such change is often slow, non-linear, and hard to measure and attribute, which sits in tension with annual reporting cycles and trustee expectations. Developing the system intelligence infrastructure underpinning such redefined notions of success is part of the work ahead.

Strategy, too, would change. Rather than starting with the capital on hand and asking where it might maximize impact, a foundation would start with the issue and work backward to answer the question of how much capital of what kind and delivered in which way needs to be deployed in service of transforming a particular system. In doing so, it would inevitably run up against the levers it doesn't control. This has ramifications for the day-to-day work: problem analysis moves "higher up", portfolios are composed for the synergies between interventions rather than the merits of each in isolation, and IMM is replaced (or at least complemented) with learning and sensemaking.

These shifts might be hard to sustain inside conventional structures. Most foundations are organized by instrument (usually with a grants team and an investment team), whereas a systemic approach tends to favor tool-agnostic teams that can reach for whatever the moment requires, while decision-making that is more collective than the usual top-down approval chain. However, it is useful not to be too prescriptive here: there is no single correct organizational design, and what works for a ten-person family foundation might not be right for a multi-billion-dollar endowment.

Finally, these principles reframe a foundation's relationship to the world beyond its own walls. It would no longer act as a self-contained deployer of capital but as one node in a wider constellation of actors, comfortable interfacing with capital orchestrators, public agencies, and private investors, and, at times, comfortable not being the one in charge.

All that said, what's laid out above is not a blueprint but rather a direction of travel, and much of what is sketched out remains untested, more a set of hypotheses emerging from our practice community than a validated playbook. How far any given foundation travels along this path, and what the journey looks like, will depend on its size, its legal structure, its mandate, and its appetite for change.

Box 8: Going systemic—six practical next moves for ICS practitioners

For foundations that already run an integrated capital strategy, becoming more systemically impactful is less a leap than a handful of concrete shifts in how the work gets done. Six stand out:

1) **Map the system/challenge constellation:** Conduct systems analysis or commission a transition map of a priority issue to identify its leverage points and see who controls which lever, then let that analysis (rather than an existing pipeline) decide where to put resources.
2) **Build the portfolio for synergy:** Stop appraising each intervention in isolation and start composing strategic portfolios of interventions that reinforce one another. This requires a grasp of how outcomes of individual interventions reinforce or undermine each other, which the transition map (or any robust theory of transformation) can illuminate.
3) **Put money and staff behind the levers outside the control of philanthropy:** Use grants and program officers to move the actors who hold the instruments foundations don't have (banks, insurers, public agencies) and imitate those instruments where you can, e.g., offering a guarantee in lieu of insurance.
4) **Fund the connective tissue:** Help resource a capital orchestrator to enable the mobilization and better deployment of diverse forms of capital.
5) **Complement impact measurement and management with learning and sensemaking:** Develop a learning and sensemaking infrastructure that tracks system-level signals and generates system intelligence to continuously inform strategy adjustments. This can run alongside the impact measurement already done for accountability and reporting.
6) **Upskilling:** Train your investment staff in impact and program management, and your grantmaking staff and trustees in investing. When recruiting your next batch of trustees and team members, make sure they have expertise to work across different types of financial capital.

Image: London Climate Week 2025.
Source: TransCap Initiative.

4) Barriers to Adoption

To understand what holds the field back, our practice community spent two sessions mapping the actual and perceived barriers to (i) adopting integrated capital strategies and (ii) to advancing them toward systemic investing (details available upon request). These barriers can be clustered into seven domains:

- culture and psychology
- internal organization and processes
- mandate and strategy
- knowledge and skills
- internal accountability frameworks
- regulation
- other external factors

One important pattern that has emerged from this process is that the binding constraints seem overwhelmingly internal and human: mindsets, capabilities, and the way foundations are organized rather than regulation or other external factors.

> *"Most compliance, corporate form, and governance challenges in ICS have already been solved. In my experience, the hardest barriers are psychological: mindset, control, trust, self-doubt, and sense of purpose."*
>
> – SARAH KEARNEY, PRIME COALITION

Another pattern is the usefulness of distinguishing adoption frontiers. The pathway for expanding a foundation's practice differs depending on whether that foundation has been in existence for a while (and thus needs to contend with path dependency) or is being newly formed. It also differs depending on whether the foundation seeks to move from conventional philanthropy to (i) grantmaking + impact investing, (ii) from grantmaking + impact investing to integrated capital strategies, or (iii) from integrated capital strategies to systemic investing, or whether it wants to leapfrog directly to (ii) or (iii). Each situation calls for a bespoke approach.

4.1 What are the barriers to more widespread adoption of ICS?

The thickest cluster of barriers relates to **culture and psychology**. Boards tend to have short time horizons and low risk appetites, and staff mindsets are often not yet oriented toward the ways of working that integration demands. In addition, foundations are held back by misconceptions, narratives of "we're not big enough to make a difference," assumptions that impact must come at the expense of returns, or misunderstandings about what regulation allows and forbids. The practice community marked a considerable share of these cultural and psychological barriers as *perceived*, which matters because a perceptual barrier could be moved through narrative work and peer examples in a way that structural ones cannot.

> *"There's no place to learn the methods of capital deployment in a way that treats each method as an equally valid tool to create impact. That absence is itself a profound cultural indicator."*
>
> – SAM BONSEY, THE IMPACT

A second cluster concerns **knowledge and skills**, which runs across every role. Board members are rarely trained in integrated capital strategies, program staffo ften lack investment knowledge, and investment staff seldom have program design and grantmaking expertise. So the cross-domain/cross-team fluency that integration requires exists almost nowhere. Compounding this is the absence of shared learning infrastructure: several community members have reported that it is "hard to know where to begin" and that there are few spaces designed for learning alongside peers.

In fact, there seem to be no obvious answer to the question of where a foundation looking to move into impact investing, integrated capital strategies, or systemic investing would go to get implementation support. While there are plenty of forums to get inspired and connected to others, as well as a handful of (expensive) consultants that can solve certain pieces of the puzzle, there is a dearth of (affordable) support infrastructure that can guide philanthropy executives through each step of the process based on templates and best practices.

> *"It's not a knowledge problem, it's about finding the right motivation. Shift why someone should do this, and they'll find a way."*
>
> – KARINA WONG, SMALL FOUNDATION

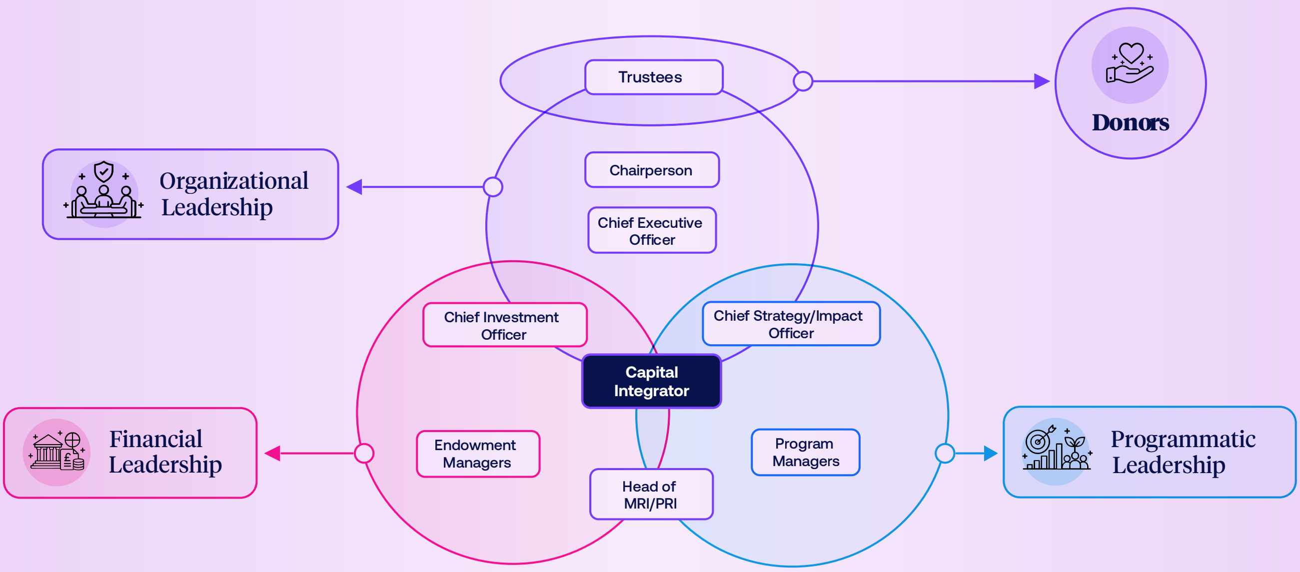
The remaining internal barriers are **organizational and motivational**. Integration is operationally taxing, as it raises coordination costs, demands strong alignment across functions, and adds to the load on already-stretched staff. And little in the philanthropic system rewards the effort, as compensation structures, incentive frameworks, and impact measurement regimes are generally built for conventional grantmaking. All of this means that the harder *integrated* path carries more work and more risk for no obvious return, making conventional grantmaking the path of least resistance.

Box 9: Do large foundations need a Capital Integrator role?

In most foundations, even the ones pursuing integrated capital strategies, it is often nobody's express responsibility to ensure that whatever extent and quality of integration the organization is aiming for is actually achieved. Often, the responsibility is shared between the Chief Investment Officer and the person overseeing grantmaking, or, particularly in smaller foundations, it sits with the executive director. In any case, the qualitative aspects of integration are rarely part of someone's primary accountability.

Efforts at implementing integrated capital strategies and moving toward systemic investing might benefit from a new type of senior management role: the "Capital Integrator". This role would sit at the nexus of organizational leadership, investing, and grantmaking, performing a range of tasks critical to integration work, such as bridge-building between teams, mapping and sequencing capital deployment across instruments, resolving trade-offs between organizational functions, translating organizational-level strategy into instrument-level decisions, and tracking integration quality over time. The role would not necessarily own any single pool of capital but rather see the whole capital stack at once and be accountable for the coherence of its deployment in ways that no existing role currently is.

Whether every foundation needs a dedicated person in this *role* is a separate question from whether every foundation needs the *function*. In our practice community's experience, smaller foundations may be able to embed the function within an existing role, provided that person has both the standing to convene across teams and the time to do so with any regularity. Larger foundations, or those with more complex capital stacks, may find that the function outgrows what any one person can hold as a secondary duty, and that a dedicated role becomes a precondition for integration to be practiced with any degree of effectiveness and consistency.



> *“Foundation staff are already overloaded, and I haven’t met many people who can actually straddle the different capital pockets.”*
>
> – KEVIN IRBY,
> FUNDERS FOR REGENERATIVE AGRICULTURE

Notably, **regulation** and **other external factors** were among the thinnest clusters on the map. Real frictions exist (such as the payout mandate and self-dealing provisions), but the community treated several of these as poorly understood rather than genuinely prohibitive (e.g., notions of fiduciary duty limiting the extent to which foundations can work across the capital stack). The lesson is that while regulation is relevant, it might not be a blocker to the extent people believe.

4.2 What are the barriers to advancing ICS toward more systemic forms of capital deployment?

Moving from integrated capital toward systemic investing adds a further, harder layer on top of all the above. One of the patterns emerging here is that the knowledge needed to address certain barriers is missing, owing to the **nascency of systemic investing as a field**. Its language, concepts, and methods are new and, to many, unproven or even esoteric. In an already noisy environment crowded with competing impact investing and systems-change vocabularies, that novelty is sometimes interpreted as risk. In fact, a foundation contemplating the adoption of systemic investment principles might feel that it faces uncertainty about whether the time and effort will pay off, as there are limited examples of peers to showcase to its board.

Importantly, some members of the practice community highlighted that it would be a mistake to interpret the existence of a PRI or MRI program as a leading indicator of readiness for systemic work. According to them, some of the most integrated efforts in U.S. philanthropy have grown out of the grantmaking team rather than the investment office, while institutions that pride themselves on a long-standing PRI practice sometimes prove the least inclined to go further.

Image: Systemic Investing Summit 2026.
Source: TransCap Initiative.

Box 10: The five barriers that matter most

Across the practice community's mapping, and corroborated by the wider evidence, fiv e barriers stand out as the most consequential:

1) **Risk-averse boards:** The densest cluster on our analytical map is psychological: boards with short time horizons and low risk appetites, combined with a widespread belief that any one foundation is "too small to make a difference." Much of this is perception rather than constraint. Indeed, foundations with conventionally managed endowments are more likely than practitioners of impact investing or integrated capital strategies to believe that impact considerations hurt returns.
2) **A skills gap across every role:** Board members, program officers, and investment staff each lack fluency in the others' domain, so the cross-disciplinary judgment that integration demands sits almost nowhere. In addition, there is little shared infrastructure for learning the craft alongside peers.
3) **Two organizations inside one:** The conventional foundation splits the grants side from the investment side, which makes integration operationally costly. Coordination is hard, cross-functional alignment rarely materializes, and the extra work lands on already-overstretched staff.
4) **Nothing rewards the harder path:** Compensation, incentives, and impact-measurement systems are almost all built for conventional grantmaking, so the integrated route carries more effort and more risk for no recognized return.
5) **A field still too new to feel safe:** For those ready to move beyond ICS, systemic investing's concepts and language remain new, unsupported, and easily lost amid competing approaches in purpose-driven finance. As long as there is a dearth of proven examples and little space for philanthropy to coordinate, boards will remain skeptical about moving toward more ambitious forms of capital deployment.

Image: Aerial view of a forest lake.
Source: Unsplash. Photo: Ignacio Moreira.

5) Interventions

Having mapped the barriers, the practice community turned to what it would take to overcome them. This chapter sets out the logic of that response at a high level.[11]

> *"Normative change is a sociology exercise, not a business exercise, but you need the tools and skills of business to get from vision to execution."*
>
> – BRIAN GALLAGHER, ABUNDANCE CIRCLE

5.1 How can these barriers be addressed?

In conceiving an intervention strategy, it's useful to consider the two major features of the barriers identified by the practice community. First, most barriers are internal and human (matters of will, capability, and organization), which means overcoming them depends less on new financial products than on narrative, capability, and examples. Second, a meaningful share of these barriers is *perceived* rather than real, and perceptual barriers can be moved relatively cheaply (e.g., through stories and peers) in a way that structural ones cannot.

The interventions proposed by the practice community can be clustered into a small number of categories.

The first is **demand generation and narrative change**: making integrated capital strategies feel both legitimate and urgent. This includes cultivating a handful of credible external champions, celebrating exemplary practice (e.g., through a prestigious award or fellowship), and implementing a broader culture-hacking effort to translate foundations' stated values into concrete pathways for action; in short, creating a sense that this is where the field is heading.

[11] At the time of publication, the TransCap Initiative has been working with members of the practice community on a detailed and sequenced plan meant to put those high-level ideas into practice.

Image: Minneapolis, Minnesota. Source: Unsplash. Photo: Andrew S.

“We sometimes assume everyone in philanthropy is motivated to maximize impact. For the ones who don’t, who are perhaps more motivated by feeling good or by personal connection, no better tool will move them.”

– STACEY FAELLA,
WOODCOCK FOUNDATION

“FOMO and crisis are powerful motivators in philanthropy. But FOMO can have unintended consequences when people just jump on the bandwagon of an innovation without the real commitment and skill to implement it well.”

– HANNAH PATERSON,
TRANSCAP INITIATIVE

“Explaining powerful ideas with sharp definitions is not enough. They must also be translated and expressed powerfully, which is about code-switching to meet people and contexts where they are.”

– JORDAN FABYANSKE,
INTEGRAL ASSETS

The second is **simplification and codification:** lowering the cost of entry for the curious. The practice community returned repeatedly to the need to cut through jargon through a shared glossary and taxonomy, case studies of advanced practice (and of the innovative legal structures that make it possible), and a practical “starter kit” for those who don’t know where to begin.

The third is **capability-building**: closing the cross-role skills gap. This runs from upskilling program and investment staff, to supporting philanthropy executives in how to manage change with their boards, to training OCIOs and advisors. Related to this is (affordable) support infrastructure that acts as the go-to-place for foundations looking to start with impact investing, integrated capital strategies, or systemic investing and plugs a currently existing gap in the consultancy and educational landscape.

The fourth is **peer learning and coordination infrastructure**: establishing the spaces (a peer-to-peer learning community, convenings, etc) where practitioners can learn from one another and where, over time, the coordination that systemic investing demands can take root.

A final, smaller family of interventions concerns **advocacy**: clarifying or, where warranted, changing the rules, and dispelling the regulatory myths that the barriers analysis showed to be more perceived than real.

One pattern worth pointing out is that the above-mentioned interventions are mostly *technical*, while the barriers identified in the previous chapter are mostly *cultural*. This doesn’t mean that further technical work would be pointless. In fact, if done well, narrative change, training, peer learning, and advocacy are themselves processes of “culturation”, through which people absorb a new way of seeing and relating while also acquiring new skills and greater freedom to operate. So these interventions should be designed not only for capability transfer but also for normative change.

In any case, the above-mentioned categories serve two distinct goals, which provide the basic structure of the plan that follows. Some are about *normalizing* integrated capital strategies, i.e., bringing the great majority of foundations that do little or none of it into the practice at all. Others are about *advancing* ICS, i.e., helping the pioneers move toward systemic investing and building the field-level infrastructure required for this.

5.2 What would it take to implement this plan?

Three things are needed to implement this plan:

1) **Coordination**: a credible host to hold the effort together, sequence the interventions, and keep actors aligned (itself a piece of field-level backbone work),

2) **Resourcing**: a pool of philanthropic capital willing to anchor that field-building work; and

3) **Time**: Deep change will take years, but momentum has to be built now, which is why we propose concentrating on a focused set of moves over the next eighteen months.

6) Caveats and Open Questions

We would be remiss in not also addressing the weaknesses and tensions in the topics covered above.

The first is that the concepts of **systemic investing and capital orchestration still have a lot to prove**. As relatively novel ideas, these practices are nascent, and the first movers in the field tend to be early in their lifecycle. In addition, systemic change is often a decadal process, which means that the lags between action and outcomes are long, while attributing outcomes to specific actions is difficult. That doesn't mean that there's *no* evidence of the power of the approach, as a growing list of case studies demonstrates. However, it's fair to say that there is a dearth of definitive proof points, and new entrants into the field may need to rely in large part on the strength of the conceptual argument as well as on their own intuition and curiosity rather than evidence of effectiveness.

The second is the **risk of dilution**. Some members in the practice community warned against repeating the trajectory of ESG investing, where a useful idea was scaled and marketed until it meant little in substance and invited backlash. If "systemic investing" becomes a label affixed to business as usual, it will have failed, and evidence of that happening is already emerging. Our response is to insist on substance over identity (on the practices, not the term) and to resist declaring victory in our collective field-building effort too early.

The third is **whether integration is even the right goal**. Not everyone in our practice community is persuaded that full integration is the best model for every philanthropic initiative. Some have argued that grantmaking and investing are genuinely different crafts (different skills, time horizons, and notions of progress) that would make integration hard or possibly undesirable, and that a more realistic or desirable aim may be intentional co-existence: keeping the disciplines distinct while coordinating them tightly. This also echoes an idea mentioned earlier, namely that it might be easier to integrate capital deployment *across* different organizations rather than *within* a single entity.

We suggest that the field sit with this tension for the time being. Our intuition is that foundations sticking with a model of co-existence may be structurally limited in maximizing their systemic impact potential, and that tool-agnostic, integrated models are a more promising operational design to address systemic challenges. But we also recognize that co-existence models, if well executed, can work, too, and that it would be antithetical to the idea of complexity to proclaim one approach as universally superior. The adage "let not the perfect be the enemy of the good" may be a useful guide here.

Another issue is the **charge of elitism**. If systemic investing becomes the domain of a few large, sophisticated institutions (the "high-performance athletes", to use one practice community member's metaphor), it risks becoming a club rather than a field. This is why the report emphasizes the importance of normalizing integrated capital among the many foundations that do little of it, not only of advancing the frontier.

The last, and least resolved, is the **economics of capital orchestration**. A financial backbone can be incubated with philanthropic money, but it still remains unclear what the "off-ramp" for philanthropy looks like, i.e., how an orchestrator sustains itself once the start-up funding is gone. We name this as an open question rather than pretend to have settled it.[12]

[12] Chapter 4.5 in the white paper "Financial Backbones: Capital Orchestration for System Transformation" reflects on this resourcing question in greater depth.

7) Conclusions

The main argument of this report is a simple one: The societal problems philanthropy exists to address are systemic, and systemic problems are not solved one grant or one investment at a time but by the combined effects of many interventions, financed by many kinds of capital, moving in the same direction. Integrated capital strategies are the first step toward deploying capital that way: matching instruments to needs across a foundation's entire financial toolbox.

Systemic investing is the next stage in the evolution of this practice. It raises the unit of ambition from the individual grantee and investee to the system at large, turning a portfolio of isolated engagements into a strategic effort to generate the combinatorial effects that have the potential to shift whole systems. And capital orchestration is how philanthropy reaches beyond what it controls, leveraging its unique position in the purpose-driven financial ecosystem to mobilize the public and private capital it doesn't command.

The field of systemic investing has a lot to prove, and the practice remains nascent. So this report is not a finished playbook but rather a jumping off point for further innovation and experimentation by philanthropic initiatives. The task ahead is to normalize what already works and to advance the frontier. Few actors are as well placed (by expertise, mandate, flexibility, and legitimacy) to lead the charge on what needs to happen next as foundations.

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