



Financial Ecosystems for Systemic Transformation

## Developing Evaluation for Financing Systemic Transformation (FST)

### The Goal

This project aims to accelerate the FST field's development by:

- (1) Mapping leading relevant evaluation methods,
- (2) Strategically assess the methods in terms of users' needs, and
- (3) Planning a series of activities over three to five years to (a) further develop evaluation approaches and (b) promote their effective use of evaluation in the field.

A subsequent project will implement the activities.

Project supporters include Blue Marble Evaluation and Michael Quinn-Patton.

### The Field of FST

FST is an emerging financial approach that can be described as a field. It comprises people, initiatives, organizations, methods, and tools to finance transformation efforts to respond to today's polycrisis and aspirations to realize a socially just and environmentally flourishing future. Its participants come from public, private, foundation, and government finance. The Financial Ecosystems for Systemic Transformation (FEST) community<sup>1</sup> has identified four foundational qualities of the field:

1. Resolute commitment to systems change and transformation.
2. Holding a vision of a flourishing and equitable future.
3. Organizing financing ecosystems.
4. Amplifying relationships among actions/projects for systemic impact.

FST approaches questions about how to finance transformation with an understanding that answers involve transforming finance. It has been distinguished from "progressive capital" (Table in Attachment 1) by its purpose, strategy and focus on issues of power.

The most distinctive quality of the emergence of the FST field is the creation of ecosystems of FST around particular issues, geographies, stakeholder groups, and strategies.<sup>2</sup> These ecosystems

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<sup>1</sup> See: <https://www.festfield.finance/>

<sup>2</sup> Ecosystem examples include:

- Climate Investment Funds, organized with IGO leadership around the climate change crisis;
- Co-Impact, organized with leadership of high networth individuals and foundations to realize just and inclusive systems change;
- SSX, a social stock exchange scheduled to open in 2024 providing retail investors an opportunity to finance systems change;
- TransCap, arising out of the European science-government initiative of Climate-KIC, to advance systems change finance innovations;



comprise the functions traditionally associated with financial systems, such as capital mobilization, blending and aggregation. However, these functions are organized with a different purpose and value system reflected in the four definitional qualities.

The emergence of these FST ecosystems make them different than traditional finance strategies that aim to use conventional financial structures and tools to provide financing. Rather than being embedded in the conventional financial system, the FST ecosystems are developing bridges to it. This strategy reflects the need to access finance resources within the conventional system, but yet remain separate from it to obtain FST goals that would be undermined within the conventional system. This strategy provides the potential to avoid being simply being an agent of, or co-opted by, the traditional financial system.

### The Need for FST Evaluation

“Evaluation” is a dynamic field of approaches, frameworks and methods using processes to systematically and systemically understand and assess value creation. It has both a limiting and enabling role, by identifying what to pay attention, and how to use data to improve action. Aiming for transformational outcomes requires evaluation approaches distinct from traditional ones.

The novel FST field’s goals and assumptions require innovative evaluation approaches to provide guidance for FST’s development. Evaluation is required at these levels:

1. Evaluation of the FIELD of FST and its development;
2. Evaluation of individual FST ecosystems against their transformational aspirations, such as TransCap, Climate Investment Funds, and Co-Impact;
3. Evaluation of particular organizations/institutions (e.g.: institutional investor organizations, asset managers);
4. Evaluation of particular investments to guide their identification and assessment as FST and investment strategies, and
5. Evaluation of particular tools and instruments (e.g.: systems-based investment strategies, new bond structures)

### The Point of Departure

Transformation is inherently a multi-stakeholder affair in terms of financing and action-taking. Three stakeholder groups are particularly important and have very different evaluation traditions:

1. **Governmental:** this includes
  - a. Policy Makers
    - i. National accounts, like GNP, that are being prodded into the direction of such things as happiness indicators and human development index.
    - ii. Central banks
  - b. Regulators
2. **Private investment**, traditionally focused on ROI and ROE, are being pushed in the direction of assessing systemic impact and accounting for positive and negative externalities. This includes approaches for:

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- Innpactia, a Latin American platform connecting development agencies, individuals and other financiers to an array of transformational initiatives;
  - Industree, an Indian NGO creating new finance structures to support large-scale financing of artisans and entrepreneurs.



- a. Owners and allocators
  - b. Asset managers
  - c. Business and corporations
  - d. Issuers on social stock exchanges
3. **Investment by development agencies and foundations**, moving from a log-frame and linear input-out traditions to learning and transformation with measurement-evaluation-research/reflection-learning. E.g.: ToC-driven, Principles-based
- a. Foundations
  - b. Aid Agencies
  - c. Development Banks
4. **Society Groups**, developing approaches that are highly contextual.
- a. Civil society
  - b. Labor
  - c. Academics

This points to the need to develop new frameworks and methods for speaking effectively to diverse audiences about their particular transformation perspectives. This suggests an analysis that would be guided by filling in the cells of Table 1. This will also help clarify distinct users' needs.

<b>Table 1: A Simple Cell Model of the Evaluation Challenge</b>					
Mapping Can Identify Leading Examples of Work in Each Cell and Their Relationships					
Evaluand Users	FST Field	Financial ecosystems in the field	Firm Level/ institutional	Investments	Tools used in the field
<b>Governmental</b> Policy makers Regulators					
<b>Private Sector</b> Asset managers Allocators Business					
<b>Developmental</b> Foundations Aid Agencies Development Banks					
<b>Society Groups</b>					

### The Project Activities

This project may be thought of as a four-month planning initiative to develop three-to-five-year pathways to FST evaluation. The activities comprise:

1. Mapping the current related evaluation activities: Within the stakeholder evaluation traditions there are already several initiatives about new evaluation directions that are relevant to the FST needs. Data will be gathered to (1) identify the initiatives and their participants, and (2) define their scope and activities. This will be accomplished through document and web review, and interviews.



2. Synthesize the data into a descriptive report. This will be done with two webinars to gather feedback.
3. Propose actions to develop FST evaluation over three-to-five years. This will include (1) a small face to face meeting and (2) discussion at a FEST community meeting at MIT at the end of January, 2024 as a key component of the broader agenda for FST field development three-to-five year plan.

### Diversity Concerns

The Initiating Project Leads are white, Northern Western individuals with gender and age range. They are starting where they can. However, they are concerned that more diverse perspectives must co-lead the next stage of the project. The data-gathering will also identify individuals to engage in the longer-term activities. Decolonization must be integrated as a value in the pathways forward.

### The Project Contributions

The outputs will be:

1. A descriptive report of the initiatives in the field for users proposing strategic action.
2. Proposed strategic actions to develop FST evaluation over three to five years.
3. A community committed to participate in, and financially support, the actions implementation.

The outcomes will be:

1. Connections between evaluation and transformation efforts;
2. An appreciation amongst those undertaking evaluation efforts of the relationship between their efforts, and in particular the relationship between the three stakeholder communities' approaches.

### The Project Team

The Project Team will comprise:

- A Researcher who will be contracted to undertake the research and write the report;
- A Stewardship Team that will include oversee the project and provide input. This will include:
  - A FEST individual who will also be project manager and organizer, and lead definition of the 3-to-5-year pathway; and
  - One or two individuals from each of the three stakeholder traditions.

### The Budget

\$50,000