

An Investigation into Financing Transformation



An Investigation into Financing Transformation

Lead Author

Steve Waddell

swaddell@bouncebeyond.global

Project Team

Suzanne Bowles

Tomas Carruthers

Ian Kendrick

Jonny Norton

Gurpreet Singh

Steve Waddell

June 2021

A Project of Catalyst 2030 – Working Groups 5 & 11

In partnership with:

Bounce Beyond

Cattail Strategy

Table of Contents

EXECUTIVE SUMMARY	4
An Investigation into Financing Transformation	4
INTRODUCTION	6
Background	6
The Foundational Concepts: Financing for Transformation and Systems Change	7
The Underlying Dilemma	9
THE FINDINGS	10
Finding 1: Transformations Capital is Distinct from Progressive Capital	10
Finding 2: Transformations Finance has Distinctive Design Characteristics	13
Finding 3: There are Numerous and Varied Examples of Ecosystems for Financing Transformation	16
Finding 4: EFT Organisers are Facing a Shared Set of Challenges	17
Finding 5: EFT Pioneers Value Benefits from Collaborating	19
NEXT STEPS	20
ATTACHMENTS	22
Attachment 1: Relevant Associated Work	22
Attachment 2: List of Project Participants	24
Attachment 3: Financing by Modality	25
Attachment 4: Design Principles for an EFT	26
Attachment 5: An EFT Action Learning Hub	27
ENDNOTES	28



EXECUTIVE SUMMARY



An Investigation into Financing Transformation

The urgent need to connect capital to today's megacrises is widely recognised. This project started with this concern and the vision of creating a group of financiers – foundations, high net worth individuals and other investors with strong interest in transformation – to respond to today's many megacrises. This group would do this by developing both their own capacity for, and the structures and processes needed to support financing transformation where social entrepreneurs have a leading role.

After initial interviews in January 2021, the vision changed for two reasons:

1. It was apparent that a major impediment to financing transformation was the separation between financiers and those they finance and creating a group of only financiers would further reinforce that impediment
2. Transformation financing requires innovation in a range of activities where putting together the finance is only one.

This led to a reframing of the project to identify a broader range of actors including financiers, grantees/investees and others who could collectively bring together the knowledge and resources to form an “ecosystem for financing transformation” (EFT). After a few interviews after this reframing, it became apparent that people were already working to develop such ecosystems and some are already operational although the term EFT was not

used by them and they did not think of their work as creating financing ecosystems. This finding led to a second reframing, with the goal of identifying EFTs and developing an initial understanding of their challenges and structures.

Following subsequent activities, including two meetings and a survey of those interviewed, a collective vision emerged around the opportunity to co-create a community of practice for those working on EFT development, in which they rapidly advance the financing and field of transformations finance. This brief report on this exploratory journey is presented through the following findings:

1. Transformations finance is distinct from progressive capital.
2. Transformations finance has distinctive design characteristics.
3. There are numerous and varied examples of EFTs.
4. EFT organisers are facing a shared set of challenges.
5. EFT pioneers value the benefits that would come from collaborating with individuals and organisations.

The analysis demonstrates the importance of the presence of an agent to get EFTs up and running. This is common in the transformation and birth of deep innovations. New identities, language, relationships, skills and ways of thinking must be developed. An agent who supports and fulfills these roles is termed an EFT steward.

The examples of EFTs are impressive in their diversity of investors and focal concerns. Their diversity means they are developing solutions to generic issues such as climate change and transforming landscape management in different ways. Those leading their development are generally unaware of others also working to develop EFTs. They have been focused on their own development, and differences in language leads to their isolation. With assertion of the term “transformations capital” and the concept of EFT, there is a basis for bringing together people from diverse backgrounds leading to great acceleration in the development of the field of transformations finance.

Developing a new field of activity such as transformations finance is a huge and urgent task. People involved in this task are working in small islands, generally without awareness of each other. Their work deserves rapid acceleration so their pockets of the future form powerful systems of transformations finance. This report describes the current situation in transformations finance with the outline of an associated proposal to form an Action Learning Hub for Transformations Finance.



INTRODUCTION



Background

In January 2021, Catalyst 2030's Next Economies Innovation Working Group 11 (WG 11) began mapping activity and relationships in the arena of financial systems change and transformation. The goal was to form a group of systems change financiers to work to advance development of the field. This project was undertaken in partnership with Working Group 5: Systems Change Funding (WG 5).

For WG 11 the activity was in support of its mission to:

- ▶ Identify, develop and apply infrastructure for next economies – economies based on the value system articulated by the WG and in harmony with Catalyst 2030's vision.

For WG 5 the activity was in support of its vision of:

- ▶ Leveraging network effects, we have increased **collective agency** and catalysed a **new funding ecosystem** for **social innovation** globally that enables lasting **equity and environmental regeneration**.

Resources were provided by Catalyst 2030 and two of its members, the consultancy Cattail Strategies and Bounce Beyond, an initiative that is accelerating the development of “next economies”.

The project activities comprise:

1. Review of documents and websites
2. Interviews with more than 30 individuals working on various aspects of the financing transformation issue and situated in different sectors (they were dominantly Northern) (see Attachment 2)
3. Value Network Analysis mapping to describe the structures associated with transformation financing
4. A report-out meeting (March 12) with 27 participants who were interviewed
5. A survey of those interviewed to identify priorities
6. A second meeting (April 26) of 18 participants to review the survey results and help identify next steps.

This project and report should be understood as a modest exploratory investigation. It aims to get a sense of the field's state of development with both major actors and core ideas, yet it is far from a comprehensive or in-depth investigation.

The Foundational Concepts: Financing for Transformation and Systems Change

The core concern behind the investigation is the need to respond to today's ecological, social, political, health, and other huge, growing and seemingly intractable crises. The proposition is that addressing these issues (1) requires systems change or transformation; and (2) there is a dearth of financing for such types of change. This raises the proposition that (3) systems change/transformations finance is distinct from other types of finance aiming to address the crises. There is significant relevant work (see Attachment 1), although progress has been slow.

This raises the need to be clear about the characteristics of systems change and transformation. Two definitional sources were foundational to answering this question. One is the social entrepreneur community which has investigated "systems change funding". Although the term "systems change" is not specifically defined, Ashoka refers in explanation to Founder and CEO, Bill Drayton saying "Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionised the fishing industry."¹ An Ashoka report commented:

"...funding systems change is not just about finding new resources for systemic work but largely about directing existing resources differently."²

Another report by McKinsey & Company with the social entrepreneur community responds to the question "how do we get better at funding and supporting systems change?" Borrowing from a *Scaling Solutions* report³, it defines systems change as a process:

- addressing root causes rather than symptoms
- by altering, shifting, and transforming structures, customs, mindsets, power dynamics, and rules
- through collaboration across a diverse set of actors
- with the intent of achieving lasting improvement of societal issues
- on a local, national, and global level⁴



The report invites “the funding community to fundamentally rethink and redesign the way systems change approaches are being supported.”⁵

The second definitional foundation for the investigation is the kind of work associated with transformation. The concept of “root change” in this tradition is often seen as coming from a linear (non-systemic) perspective that suggests the “source” of a societal problem can be found and resolved by eliminating it. The systems thinking tradition emphasises such problems as the product of a complexity of interacting nodes and feedback loops.

In the transformation tradition there are two convergent approaches. One coming from the environmental tradition distinguishes between three distinctive types of change: mitigation, adaptation and transformation.⁷ The earlier second tradition comes from a sociological and management tradition that started with first-second-third loop learning⁸ and produced a typology similar to the environmental one with the terms incremental, reform and transformation. The latter, summarised in Table 1, has been commonly cited by those looking at transformation and finance.⁹

Table 1: Transformation as a Distinct Type of Change ⁶

	Incremental	Reform	Transformation
Core Question	How can we do more of the same? Are we doing things right?	What rules shall we create? What structures and processes do we need? Are we doing the right things?	How do I make sense of this? What is the purpose? How do we know what is best?
Purpose	To improve performance	To understand and change the system and its parts	To innovate and create previously unimagined possibilities
Power and Relationships	Confirms existing rules	Opens rules to revision	Opens issue to creation of new ways of thinking about power
Action Logic	Project implementation	Piloting	Deep experimenting
Archetypical Actions	Copying, duplicating, mimicking	Changing policy, adjusting, adapting	Visioning, experimenting, inventing
Tools Logic	Negotiation logic	Mediation logic	Envisioning logic



The investigation adopted the term “transformation” as described in Table 1. This proposes that the objective involves deep change in purpose and power structures and doing something that has never been done before. Creating a “sustainable” and “carbon-neutral” energy system, for example, is something that has never been achieved on the scale currently being envisioned. Doing this involves change in current business structures and challenging the power of traditional energy producers. This also mirrors the meaning of “systems change” reflected in the review of the Climate Investment Fund as ‘fundamental shifts in systems’ structures and functions”.¹⁰

Resolving today’s crises is increasingly understood as requiring not just technological and organisational power structure changes, but social ones as well. On the one hand this is expressed in the objectives of Sustainable Energy for All (www.seforall.org) as a global multi-stakeholder effort that grew out of the Kyoto Process. The latter focused exclusively on the environmental (greenhouse gases) dimension of the energy issue; the former highlights the need to address access to energy within action to tackle the climate crisis. It also requires a shift in values and power in terms of stakeholders and organisations.

The proposition that an underlying systemic cause of crises is related to social inequalities has been further re-enforced. These concerns include huge increases in economic inequality in much of the world; the health crisis associated with COVID which has laid bare health inequities; the rising movement for gender equality both for its own value and to address poverty; and racial injustice in the United States.

The Underlying Dilemma

Those who seek to understand the evolving field of transformation capital will uncover a fundamental dilemma: they aim to change the fundamental goals of structures and their associated power arrangements and simultaneously aim to raise money from that status quo. The solutions to the grand crises of today are associated with an analysis that the way power is structured/expressed through money and those who control it are seen as drivers of the crises.

This suggests the importance of identifying people with monetary power who are willing to structure and express their power in a transformed way with different goals. Some of those, such as high net worth individuals, have quite direct monetary power. Others, such as those leading foundations and in influential government positions, have potent, but somewhat less direct, power. Others have power through their own donations and investment choices.

This dilemma can be insightfully compared to the continuing racial crisis in the United States a century and a half after its Civil War and ongoing efforts to support racial equality. Explanations that there is systemic racism are still challenged by many. Others in the historically dominant white population are openly questioning their own role in perpetuating racism through their privilege and are looking for ways to dismantle both systemic racism and their own privilege.

The motivation for change is both a sense of basic fairness and a belief that such change will produce a world in which they would prefer to live. With today’s crises that portend environmental collapse and rising social discord, the motivation by and pressure upon those with wealth to change their own historic privilege is growing.



THE FINDINGS



Finding 1: Transformations Capital is Distinct from Progressive Capital

The philanthropic goals of those with control over money have always been diverse. They have included a range of "public goods" from their perspective. These include private art collections donated upon death to public museums, donating to charities and commitments to stakeholder sharing with employees and communities. The rise since the 1960s of shareholder capitalism and neoliberalism have specifically promoted the power of money and financial wealth accumulation. At the same time, there has been an associated weaker countervailing trend that has integrated other outcome goals in support of a different set of values.

In the late '60s -'70s, socially responsible investing (SRI) began with a negative screening out of companies with practices or products considered problematic (eg, tobacco, weapons). Social screening evolved into both positive and negative screens by the 1990s. For example, this is when a focus on poverty alleviation led to microcredit's popularity. For foundations, programme-related investing (PRI) became an activity to align investment of endowments with programmatic goals.

In the early part of the new millennium, innovation shifted to impact investing. This has a "double [or multiple] bottom line" intention to generate positive, as well as measurable social and environmental impact alongside a financial return. An estimated 66% of impact investors

seek market rates of return. By 2019, an estimated \$502 billion was considered “impact invested”. The field rapidly matured with many networks of impact investors. The global organiser, the Global Impact Investing Network was an outgrowth of Rockefeller Foundation convenings in 2005-06.

The 2000’s have seen other financial product innovations, such as Green Bonds that are focused on environmental improvements. Asset managers are increasingly paying attention to environmental social and governance (ESG) impact indicators. After overcoming an attitude of disdain by traditional ROI-focused investors, by 2019 these approaches to investing had become important market segments within \$90 trillions in global stock markets.¹²

The interviews revealed a focus that is distinct from these traditions. These can also be seen as the next step in their trajectory. One of the leaders in this emerging field is Dominic Hofstetter at [Climate-KIC](#), which describes itself as “Europe’s largest public-private innovation partnership focused on climate innovation to mitigate and adapt to climate change”. Started in 2010 with a heavy science-government foundation, it has since expanded to include many private sector partners, including financiers. Hofstetter defines his systematic investing (SI) work as “the practice of deploying capital to catalyze directional transformative change of socio-technical systems.” He identifies these conditions as important to SI: (1) intent, (2) understanding evolutionary possibilities, (3) leveraging system dynamics, (4) blending for synergistic effects, and (5) evaluation as transformational return on investment.

Another important step in this trend was the publication in 2018 of “From Billions to Trillions”, subtitled *How a transformative approach to collaboration and finance supports citizens, governments, corporations and civil society to share the burdens and the benefits of solving wicked problems*.¹³ Rather than frame its discussion around systems change or transformation, it focuses on the need to change the business of change. It focuses on transforming “social finance”, which it defines as “finance in service of achieving the greater good.”¹⁴ Another important series of documents have been produced by Rockefeller Philanthropy Partners in their Scaling Solutions work.¹⁵



Table 2: Progressive Capital versus Transformations Capital

	Progressive Capital Adjustments <i>to</i> the system	Transformations Capital Transformation <i>of</i> the system
Intent	Triple bottom line returns	Transformation and systems change towards flourishing futures for people and planet
Strategy	Single investments or project grants	Connected portfolio/programme-driven investment/granting
Action Logic¹⁶	Simple (sense-categorise-respond) and Complicated (sense-analyze-respond)	Complex (probe-sense-respond)
Capital Source	Individual/institutional investors	Diverse blended sources
Investment Tools	Market orthodoxy with expanded return analysis, wealth creation	Systemic-based measures, analysis, partnering, value creation
Dynamic	Investor in control	Inherently collaborative with multiple stakeholders
Power Goals	Dominant: defaults to assumed/conventional authority and simplifying relationships	Liberatory: embracing complexity and difference to unlock potential
Investment Focus	Technological/physical infrastructure with environmental concerns	Socio-technological infrastructure within planetary boundaries

Table 2 summarises the distinctions of “transformations capital” in contrast to “progressive capital”. The latter term refers to impact investing, ESG measures and activity focused on different forms of capital (natural, financial, intellectual, etc.). Transformations capital is distinct enough from progressive capital to be thought of as a new field in finance. The boundaries are somewhat fuzzy, as is common when any financial innovation arises. However, they seem real.

This Project’s March 12 meeting of 27 people operating and developing EFTs produced very strong agreement that they are working in support of transformations capital, rather than progressive capital. Erica Key, of the Belmont Forum, the world’s largest funding platform for science-informed transformation commented, “I appreciate the thought and depth that the table provides. It takes some time to realize how well this captures much of the activity.”

With reference to the definition of “transformation” in terms of change in power relationships, the table brings these out pointedly. Table 2 provides the basis for creating an assessment of the kind of capital being invested.

One key characteristic of transformation is change in power structures. Progressive Capital assumes that the power of money in decision-making will not change and that transformation can be achieved with a simple or complicated action logic. Transformations Capital is working for a fundamental shift in the relationship between financiers and those with proposals, in favor of a co-creation and equitable relationship that reflects a complex action logic.

Finding 2: Transformations Finance has Distinctive Design Characteristics

In defining the “how” of transformation, design and pathways are key considerations. The report *From Billions to Trillions* makes an important contribution by outlining the design principles that should be incorporated into the proposed investing approach (see Attachment 4). This Project took an embedded approach to understand the design of EFTs. That is to say, it looked at the work of those engaged in EFT development to identify emerging patterns.

The patterns described in interviews, websites and documents were mapped using Value Network Analysis (VNA) in the tradition of Verna Allee¹⁷. VNA is useful for designing potential futures, based on the current reality. It helps people get outside of their organisational boxes and loyalties, to focus on realising the overarching system purpose (a powerful EFT). To cut through diverse language and organising approaches, VNA produces a generic pattern understanding in response to the question: What are the key roles and exchanges necessary for the system to be high functioning, where:

- **Roles** describe the kinds of actors necessary for a system to realise its goal. This is related to the concept of the “function” of organisations in a system. In a VNA map, nodes show the role or type of actor within the network. Roles are generic nouns, like funder and knowledge developer. In any system of size, more than one entity will play a role.
- **Exchanges** describe flows between the roles necessary for the system’s success. In a well-defined system, these can be thought of as “deliverables.” Exchanges are nouns, such as money and information.

The VNA analysis here is based on responses to survey questions and data gathering from websites. They should still be considered drafts.

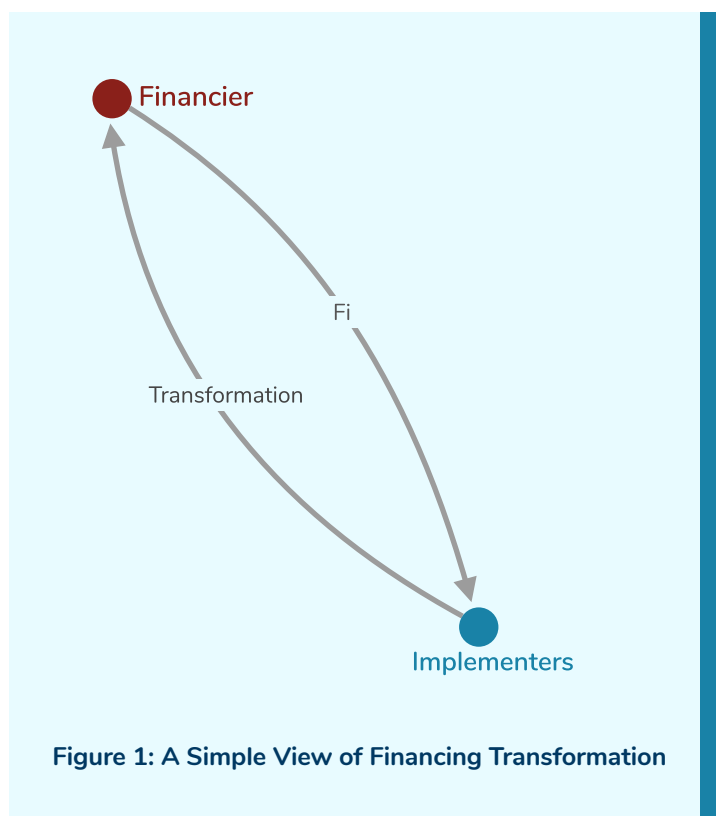


Figure 1 describes what most people think of as the essence of the financing question. Someone has money to invest in transformation and someone has a transformation project to invest in. How is the connection made?

Figure 1: A Simple View of Financing Transformation



The Project conversations, document and website analysis revealed that there is a much greater range of activities necessary to realise transformations financing. This is presented in Figure 2. Distinctive dynamics and roles in **Figure 2** describe the need to:

1. Provide three different types of financing:
 - a. F1 Financing to support the maintenance of the relationships between the roles
 - b. F2 Financing to support the gathering of proposals that will actually realise transformation (given the scale and complexity of transformation, an array of actors must be brought together, with their own proposals to create a systems change strategy);
 - c. F3 Financing is what foundations have traditionally thought of as financing the implementation of the project.
4. Integrate financiers with different outcome goals as described in Attachment 3 and in Figure 2 presented as impact investors, philanthropists and governments
5. Provide ways to put together the proposals of different transformations initiatives to address the scale and complexity of transformation
6. Have a strong advocacy function to press financiers to work collaboratively
7. Implement assessment processes with metrics appropriate for transformation
8. Organise capacity development for the financiers and implementers, recognising the importance of experimentation and learning that are essential for transformation.

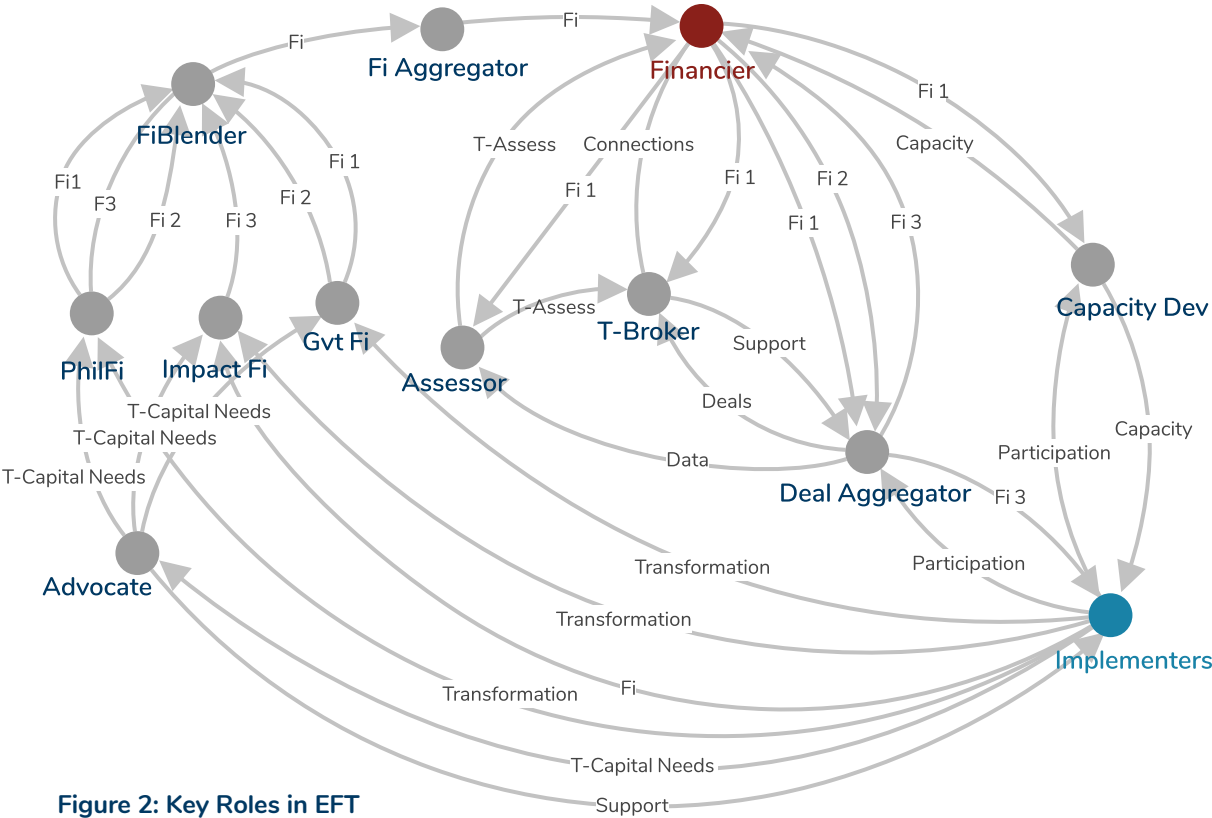


Figure 2: Key Roles in EFT

Figure 2 describes a functioning Ecosystem for Financing Transformation, drawing from the early-stage EFTs in operation and others emerging. But their development story does not end here. As in other cases of transformation, the analysis demonstrates the importance of there being an agent to actually get EFTs up and running. This requires years of effort to transform existing system actors, develop new ones, assemble the knowledge and nurture the relationships necessary. In fact, there is probably an ongoing role for such an agent although it will go through its own development stages.

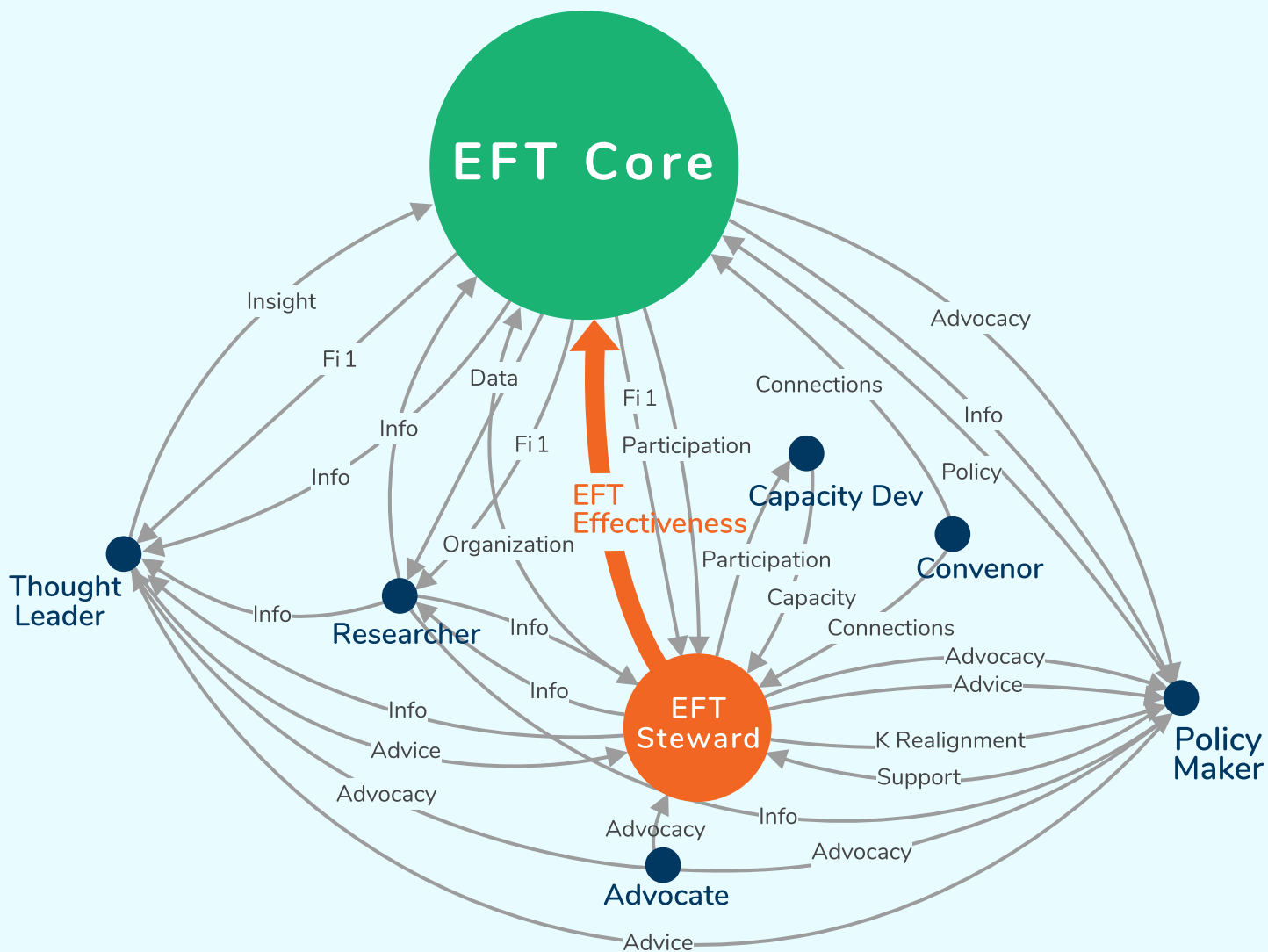


Figure 3: The EFT Steward Role with the EFT

Figure 3 labels this agent “EFT Steward”. Operating on the Figure 2 actors, the steward brings together distinctive, systems-wide perspectives and connections with other agents. These include thought leaders, policy makers, convenors, advocates and capacity who developers who play important roles in developing EFTs.

The Climate Investment Funds (CIF), Climate-KIC, Co-Impact are three operating examples of such stewards. They are connecting diverse funders with different definitions of “investment returns” (see Attachment 3): CIF first collaborated with inter-governmental organisations and national governments and is now leveraging private capital. Climate-KIC, with a focus on first European government and science funders, then embarked on expanding to the private sector and global. Co-Impact promotes financing with foundations and high net worth individuals and leveraging governments. They are bundling proposals as well. CIF supports the Transformations Capital Learning Partnership (TCLP), which is featuring workshops to build capacity in partnership development for systems change Climate-KIC plays a broker and match-making role with numerous investors. Co-Impact provided up-front \$500,000 grants for successful first-stage applicants to help them put together such groups.



The assessment question is pernicious, as most interested in transformations know. This is leading to new approaches, such as TrueFootprint with a focus on community impact and Blue Marble with a transformations assessment framework based on a transition to new values. All of this activity requires dedicated learning and capacity, as TCLP demonstrates, and others also support.

Arguably, once an EFT is formed, the importance of the steward will greatly diminish or be absorbed into the core EFTs themselves. The new structures and mindsets will have developed into a virtuous system of interactions. On the other hand, the EFT might transform into something more analogous to today's trade associations.

Finding 3: There are Numerous and Varied Examples of Ecosystems for Financing Transformation

Perhaps the most surprising finding of the investigation is that there are numerous EFTs in development. These are summarised in Table 3. Some, like Co-Impact and Climate-KIC are already in operation. Activities associated with the Climate Investment Funds are the oldest example. There appear to be three types of organising drivers that create a rich array of examples:

1. Who is providing the financing?

Different financiers are driving the development of different EFTs. CIF is the product of intergovernmental organisation funding, while Co-Impact is funded by foundations and high net worth individuals. Climate-KIC is a product of European science and government funders; SVX with a social stock market; SEEDS is an interesting cryptocurrency approach.

2. Who is generating proposals and transformation implementation?

The Indian example of Industree Foundation is growing out of its success at collectivising and aggregating efforts. 1000 Landscapes is articulating the collective need of those working on landscape management. With its focus on social entrepreneurs, Catalyst 2030 could be added by developing a relationship with Blue Equity.

3. What is the issue?

Some EFTs are emerging around particular issues, such as climate change, food and land management.

4. What is the target geography?

Climate-KIC has a European focus although it is now going global; 1000 Landscapes is Southern-oriented; California actors are coming together around the state's needs, with a bio-regional sub-focus.

To say these are EFTs is still a stretch in several cases. Table 3 includes four operating EFTs (Climate Investment Funds, Climate-KIC, and SEEDS) and potentially emerging EFTs at various stages of development. This is an illustrative rather than a comprehensive list. Particularly remarkable even with this limitation is the great variety of approaches sharing a similar transformations capital goal. Surprisingly, there is low awareness among these organisations of each other's existence, with modest exceptions such as Climate-KIC being involved with 1000 Landscapes. There are efforts to replicate, such as with regional CIFs, new Co-Impact funds, and Climate-KIC reaching beyond Europe to the world.

Table 3: Operating and Potentially Emerging EFTs

Lead Organisation	Distinctive Qualities	Comment
1000 Landscapes for 1 Billion People	NGO-led radical collaboration	Finance challenge posited within land management, in design
Blue Equity	Plumbing Structure for Social Entrepreneurial Innovation	Organising around legal structure, metrics mechanism, financial process, systems process; ready to initiate
California Forward-California Stewardship Network	Holistic bio-regional stakeholder laboratories	Broadly engaging diverse levels and types of public sector as well as others
Climate Investment Funds	Intergovernmental Organisation	Founded 2008, donor countries have provided over \$8 billion
Climate-KIC	Science-government-initiated climate ecosystem	Now engaging broad investor-funder range with large-scale experiments
Co-Impact	Philanthropic-driven ecosystem	Fully operational, looking to replicate
Conscious Capital	Focused on high net worth individuals	Looks to integration of traditional investment and transformation investment
Finance Innovation Lab	Finance innovation nationally	Lab network of innovators, influencers and practitioners building new models, shifting finance and influencing policy
Industree Foundation	Driven by demand aggregation	From collectivisation to blended capital
Omidyar Group	HNW Group from impact to transformation	In conversation with many working on EFT development
SEEDS-Hypha	Currency-based ecosystem	Different from other cryptocurrencies; integrates community organising and currency provision

Finding 4: EFT Organisers are Facing a Shared Set of Challenges

The underlying challenge to transformations capital and EFT development is fragmentation of language and effort. Many people are organising components/activities of an EFT, but their challenge is to operate as part of a transformations capital system. This requires an EFT steward. But even an EFT steward is facing huge challenges. The diversity of terms and concepts confuse people outside of a particular initiative. Together with the lack of connection between them, it encourages a counter-productive degree of competition. The key missing element is not coordination, it's coherence. The former is useful for some issues within the emerging field of EFT development. The latter is the overarching dynamic necessary to develop the collective power of those who are working for its development.



Within this overarching challenge, eight challenges to EFT development were identified. They are grouped below in themes.

- 1. Finance transformation is required and possible**
 - a. Transformation is a distinct type of change
 - b. Cohering is a huge challenge
 - c. Narrative of role of investors and success needs rewriting
- 2. Financial ethos**
 - a. Non-aligned financing/funding ethos
 - b. Philanthropy culture remains outside ethos
 - c. Communities side-lined, not involved in value definition
- 3. Integrated financing approaches**
 - a. Successful philanthropy is largely a product of successful commercial activity
 - b. Ethos of most philanthropists needs to shift to achieve transformation
- 4. Stakeholder financial and systems literacy**
 - a. Low democratisation/ beneficiary-led design
 - b. Low financial literacy of communities
 - c. There is no alternative (TINA) - the current system that dominates without literacy
- 5. Deal pipeline and aggregation**
 - a. Complaints about lack of absorption capacity
 - b. Lack of community connection
- 6. Policy**
 - a. Low popular domain literacy/ relevance
 - b. Lack of political will
- 7. Operational development:**
 - a. Putting together the stakeholders and activities
 - b. Communications, data management
 - c. Leadership, capacity, skills
 - d. Business models
- 8. Metrics**
 - a. Social impact is rarely measured from the perspective of people in communities
 - b. In-put/out-put short term, project models focus

These themes identified in the interviews and other research preceding the meeting of EFT pioneers were followed by a survey. The 23 participants identified the following average importance of issues - on a scale of one to five, with five being most important.

4.5	How to aggregate and blend funding/financing
4.5	Aggregation of projects to create transformations impact
4.4	How to 'bake in' equity throughout
4.3	Development of supportive funders/financiers
4.2	Developing shared language
4.1	Metrics: Creating coherence in transformations measures
4.1	A collective process to explore and map the current ecosystem and its fitness for purpose; produce a shared vision for the ecosystem we would like to see; create pathways between that account for present blockages; highlight effective current transformational approaches and propose ones that should be initiated.
3.9	Public policy
3.8	Operationalisation of an EFT - putting together the pieces and systems to hold it together
3.8	EFT structures and strategies with case studies
3.0	Developing an EFT for food systems

All of the ratings except for the specialised one around food systems are remarkably high. They are well aligned with the earlier definition of transformation and its challenges generically.

Finding 5: EFT Pioneers Value Benefits from Collaborating

Among the pioneering EFT participants, organisers and stewards, several factors raised the potential value of collaborating. The most fundamental is the strong agreement among participants with the definition of their transformations capital goals, in contrast to those of progressive capital. Some leaders such as Climate-KIC have been articulating this relatively clearly. The concept of an EFT builds on this. With the evolution of a new field, creating a common language is critical in communicating the identity of the field to marshal support for its development.

The work elicited strong interest from the participants. Of the approximately 30 who were interviewed, 27 attended the first meeting and 23 responded to the interview. The following survey question, framed as a proposition, inquired into this interest.

The Proposition

A shared vision is emerging for creating powerful ecosystems for financing transformation. With it comes the potential to respond with collaborative, relevant and practical actions. Such actions must deepen the equitable relationships and systemic perspectives that are essential to make them effective.

The Imperative

Now is the time to urgently accelerate development of the field of transformational finance. This must be done using an equity lens, to support place-based and issue/sector efforts to address the numerous crises facing the world.

The Community

We share the transformations capital ethos in this table from diverse vantage points and roles. We also share the value of collaboration to address many common issues, in particular the divide between funders/financiers and transformational action. This creates the potential for powerful, context specific, connected actions.

The Opportunity

We see the opportunity to create a participatory container for practitioners and experts in which they rapidly advance the financing and field of transformations finance.

The Challenge

Through action-oriented collaboration, design and support, we aim to support implementation of infrastructures for Ecosystems for Financing Transformation.

With the same one to five scale, the average response was 4.6.



NEXT STEPS



A nascent and energetic field of transformations capital is emerging. Its development is critical to address the array of urgent mega-crises that the world is facing. Although people are exerting great effort to address the crises, doing so without robust transformations capital support means those crises cannot be successfully addressed.

Key to developing a new field is to create a shared identity and coherence of action. These provide a rallying point with shared language that cuts through incidental distinctions arising from different histories and brings clarity to the shared direction. This investigation suggests that building on systems change and transformation with the concepts of “transformations capital” and “ecosystems for financing transformation” holds the potential to provide a foundation for shared identity.

The strong positives are (1) the number and variety of EFT initiatives and range of organisations involved that were (2) uncovered with modest effort, and this (3) contrasted with the fact that people were not aware of each other’s initiatives. These factors suggest that much more energy and power could be mobilised with relatively modest efforts, to accelerate the pace and scale of EFT development.

The core emerging concept is to develop a community of learning and action that will support participants to develop their diverse EFT initiatives and address shared challenges. This must respond to a comment made in a meeting by Lawrence Ford of Conscious Capital that received strong support: “identify exactly who is on the call with skills and talents today - much may already be here, helping us be clear on collective action”. But this cannot be addressed simply with a database. People must interact to develop a shared understanding of the words and skills necessary and the range of strategies and how context affects them.

We propose to experiment with an EFT Action and Learning Hub that will connect individuals and initiatives creating EFTs. This is a time-limited proposal that will be led by those working to develop EFTs, with the potential for a longer-term collective proposal to emerge. The summary of these activities is presented in Attachment 5. A full proposal is being developed.

In the transformations tradition that focuses on learning and emergence, the activities are a modest programme to get to the next step to build the basis for subsequent steps. These proposed actions are informed by an array of experiences. This includes the work of field catalysts that respond to “what it takes to galvanise the systems-change efforts of disparate stakeholders working on the same problem and focused on attaining measurable, population-level change in a given field”. Key to the answer is “a shared identity that’s anchored on the field; standards of codified practices; a knowledge base built on credible research; leadership and grassroots support that advances the field; and sufficient funding and supportive policies”.

Transformations catalysts provide another relevant base of experience that is categorically focused on transformation. These are “promising organising innovations specifically designed to address complexly wicked societal problems and opportunities and bring about purposeful system transformation”. They support initiatives that aim to transform a particular issue or geography in a shared direction by forming powerful “transformation systems”.

We have the knowledge and capacity to develop powerful Ecosystems for Financing Transformation. The need is urgent. Their potential is real. Now is the moment.



ATTACHMENTS

Attachment 1: Relevant Associated Work

The following is not a comprehensive list, but influenced thinking in report preparation.

100+ Financial Professionals. 2010. "Transforming Finance Group's Call Recognizes Finance as a Global Commons." edited by Hazel Henderson: Ethical Markets.

Argyris, Chris. 1976. "Single-Loop and Double-Loop Models in Research on Decision Making." *Administrative Science Quarterly* 21(3):363-76.

Armeni, Andrea. 2021. "Grassroots Community Engaged Investment: Redistributing power over investment processes as the key to fostering equitable outcomes." *Transform Finance*.

Ashoka, and Community Fund. 2020. "Seven Steps for Funding Systems Change: A comprehensive guide for funders, by social entrepreneurs."

Blue Equity. 2021 circa. "Blue Equity & Collaboration Laboratory for Social Entrepreneurs." edited by Blue Equity.

Brandel, Jennifer, Mara Zepeda, Astric Scholz, and Aniyia Williams. 2017. "Zebras Fix What Unicorns Break." in Medium.

Burgess, Cameron, Astrid Scholz, Arthur Wood, and Audrey Selian. 2018. "From Billions to Trillions: How a transformative approach to collaboration and finance supports citizens, governments, corporations, and civil society to share the burdens and the benefits of solving wicked problems." Sphaera.

California Stewardship Network, and California Forward. 2020. "2020 Roadmap to Shared Prosperity." California Stewardship Network

Chandler Foundation. 2021 Circa. "Systems Change Philanthropy: An Initial Landscape of Actors, Initiatives, and Resources." Chandler Foundation.

Climate Investment Funds, Jonathan Coony, and Daniel Kehrer. 2021. "Transformational Change in Climate Action." in Presentation: World Bank

Creative Million and Industree Foundation. 2020 circa. "Liberate Capital." Creative Million

Henderson, Hazel, LaRae Long, and Timothy Jack-Nash. 2019. "Transitioning to Science-Based Investing." in Green Transition Scoreboard Report: Ethical Markets Media.

Etzel, Michael, Matt Bannick, Mariah Collins, Jordana Fremed, and Roger Thompson. 2021. "Back to the Frontier: Investing that Puts Impact First." Bridgespan Group.

Grady, Heather, Kelly Diggins, Joanne Schneider, and Naamah Paley Rose. 2017. "Scaling Solutions Toward Shifting Systems." Rockefeller Philanthropy Advisors.

Grady, Heather, Kelly Diggins, Joanne Schneider, and Naamah Paley Rose. 2018. "Scaling Solutions Toward Shifting Systems: Approaches For Impact, Approaches For Learning." Rockefeller Philanthropy Advisors.

Grady, Heather, Michael Brown, Joanne Schneider, Kelly Diggins, and Naamah Paley Rose. 2020. "Scaling Solutions Toward Shifting Systems: Seeing, Facilitating, And Assessing Systems Change." in Scaling Solutions. Rockefeller Philanthropy Advisors.

Henderson, Hazel. 1988. *The politics of the solar age: Alternatives to economics: Knowledge Systems.*

Hofstetter, Dominic. 2020. "Transformation Capital – Systemic Investing for Sustainability." Climate-KIC.

Lydenberg, Steve, and William Buckart. 2020. "Assessing System-Level Investments: a Guide for Asset Owners." The Investment Integration Project.

McKinsey. 2020. "Embracing complexity: Towards a shared understanding of funding systems change." McKinsey.

Olmsted, Paige, and Sushant. 2021. "Invest in Nature: Scaling Conservation Finance in Canada for Nature-Smart Economy." Smart Prosperity Institute.

Pelling, Mark. 2010. "Adaptation to climate change: from resilience to transformation." Routledge.

Rajani, Rakesh, and Jeff Hall. 2019. "Co-Impact Handbook." Co-Impact.

Shames, Seth, and Sara J. Scherr. 2020. "Mobilizing finance across sectors and projects to achieve sustainable landscapes: Emerging models." Washington, DC, USA: Ecoagriculture.

Steiner, Evan, and CC Huang. 2019 (June). "The Human Flourishing Fund: Financing Systems Change." Working Draft: Whole Person Economy.

Tosey, Paul, Max Visser, and Mark NK Saunders. 2012. "The origins and conceptualizations of 'triple-loop' learning: A critical review." *Management Learning* 43(3):291-307.

Waddell, Steve. 2007. "Realising global change: developing the tools; building the infrastructure." *The Journal of Corporate Citizenship* (26):69-85.

Waddell, Steve. 2011. *Global Action Networks: Creating our future together.* Bocconi University on Management. Hampshire, UK: Palgrave-Macmillan.



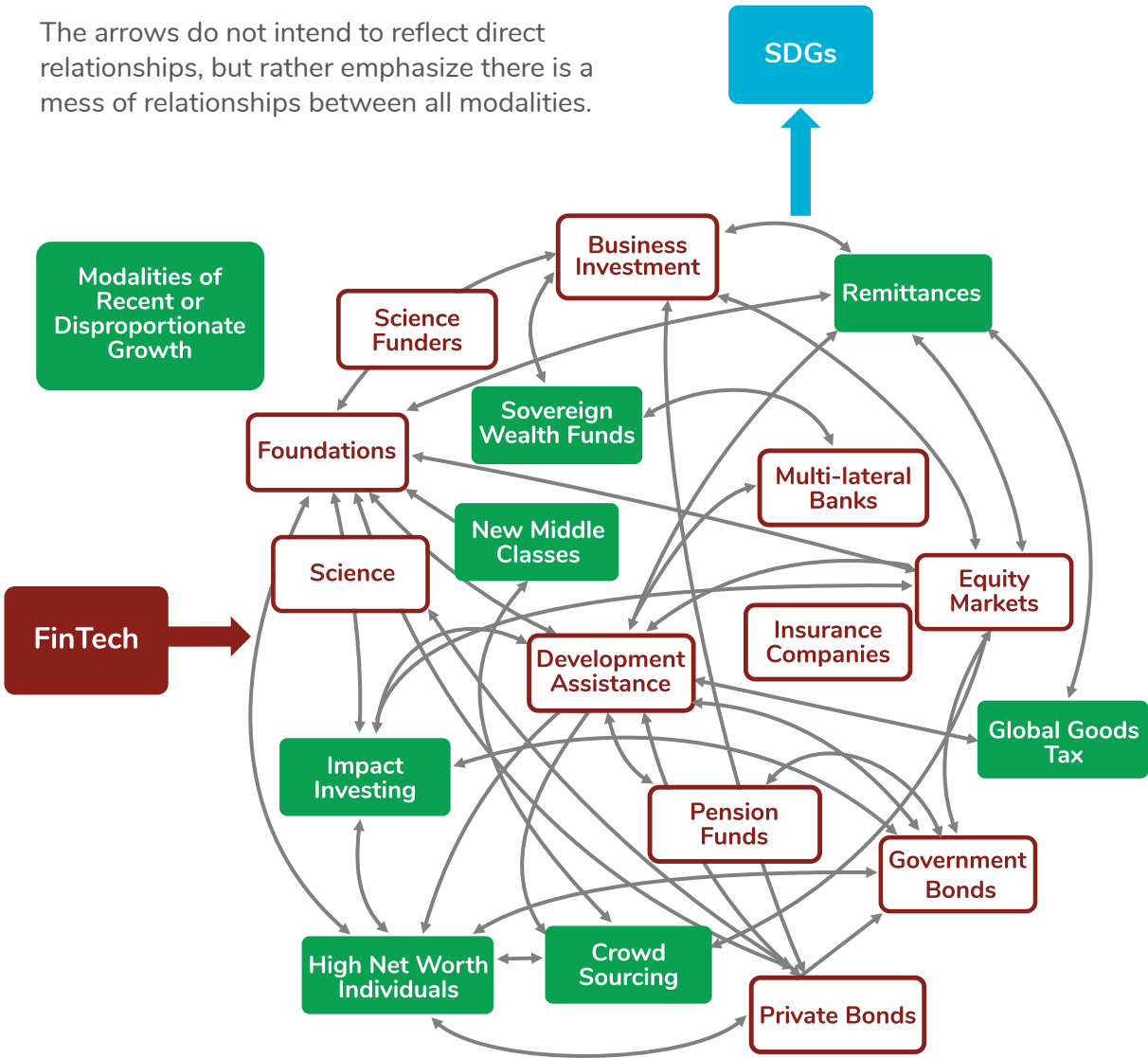
Attachment 2: List of Project Participants

	Surname	Name	Organisation
1.	Alcorn	Jennifer	Gates Foundation
2.	Baue	Bill	Senior Director
3.	Bellish	Jon	One Earth Future
4.	Billimoria	Jeroo	One Family Foundation
5.	Cabot-Venton	Courtney	Independent Consultant
6.	Chhiber	Neelam	Industree Crafts Foundation
7.	Cordon	Rieki	Seeds
8.	Bastante de Unverhau	Silvia	Co-Impact
9.	Evans	Alice	LankellyChase Foundation
10.	Ford	Lawrence	Future Capital
11.	Francois	Dana	Kellogg Foundation
12.	Grady	Heather	Rockefeller Philanthropy Advisors
13.	Griffiths	Jesse	Finance Innovation Lab
14.	Hanstad	Tim	Chandler Foundation
15.	Hofstetter	Dominic	Climate-KIC
16.	Horvath	Eric	Common Future
17.	Keating	Brandyn	Younify
18.	Key	Erica	Belmont Forum
19.	Khosla	Anu	Freelance Brand Strategist
20.	Kibria	Rakiba	Common Future
21.	Lane-Zucker	Laurie	Impact Entrepreneur
22.	Prakasam	Nagaraja	Nativelead Foundation
23.	Raimond	Rex	Transformational Investing in Food Systems
24.	Ramos	Juan	EcoAgriculture Partners/1000 Landscapes
25.	Ricigliano	Rob	Omidyar
26.	Rohner	Martin	Global Alliance for Banking on Values
27.	Rominger	Ruth	Garfield Foundation
28.	Scholz	Astrid	Armillaria
29.	Shames	Seth	EcoAgriculture Partners/1000 Landscapes
30.	Shuman	Michael	Neighborhood Associates Corporation
31.	Spence	Adam	SVX
32.	Spencer	Karen	Catalyst2030/Whole Child
33.	Steiner	Evan	One Project
34.	Walden	Gwen	Arabella Advisors
35.	Walker	Jeff	New Profit
36.	Wood	Arthur	Total Impact & Blue Equity

Attachment 3: Financing by Modality

Different financiers have different types of goals. For example, financiers of science aim to produce new knowledge,²¹ those of business investment aim to expand shareholder returns, of remittances to support families in countries of origin. This simple diagram aims to depict some of these goals. Regardless of their goals, they are all influenced by today’s grand crises and transformation. All are potential transformations financiers, but they must be approached in terms of how transformations financing will support their distinct goals.

The arrows do not intend to reflect direct relationships, but rather emphasize there is a mess of relationships between all modalities.



²¹ Eric Key of The Belmont Forum comments: “I think many science funders have developed programs and budget lines for systems learning, co-production with stakeholders, and have expanded their value proposition to include transformation of policy and practice. Fundamental science funding will continue, but there is a cultural shift towards knowledge to action, particularly now that transdisciplinary and use-inspired science have gained traction with the G7, G20, CoP for Climate Change, etc. As well on the innovation side of science, there is renewed value in systems readiness level and social acceptance level of products, designs, and planning.”



Attachment 4: Design Principles for an EFT

Source: Burgess, Cameron, Astrid Scholz, Arthur Wood, and Audrey Selian. 2018. "From Billions to Trillions: How a transformative approach to collaboration and finance supports citizens, governments, corporations, and civil society to share the burdens and the benefits of solving wicked problems". <https://sphaera.world/billions-to-trillions/>: Sphaera. P. 63. Updated at <https://trillions.global/>

- 1. Citizen-centric:** Citizen-centric design means designing for the needs of the individual participants and recognising their sovereignty and agency. By placing the human individual at the centre of the design experience, we ensure the design of a system that transcends organisational and political boundaries.
- 2. Equitable:** All participation in the framework must be appropriately recognised, attributed, and valued, with participation in the governance of the framework in situ commensurate with one's level of experience, investment, and/or risk.
- 3. Adaptive:** We are not going to get this perfectly right before we begin. Being adaptive means focusing on the development of minimum viable agreements and a minimum viable product and iterating forward on the basis of user feedback.
- 4. Distributed:** The centralisation of data is one of the primary causes of dysfunction within this market. We favour a decentralised approach to both data sharing, and platform interactions, utilising technologies such as holochain to validate value creation.
- 5. Ubiquitous:** Participating entities should be able to interact with the network regardless of physical or digital location, technology, bandwidth or other factors unique to their context. Further, they should be able to meaningfully interact with the entire system from any entry point
- 6. Modular:** By developing an ecosystem comprised of multiple external platforms, each with their own business model, the components can be designed to work together, or alone, with equal effectiveness. This also minimises risk, by permitting modules to be swapped out as required.
- 7. Scalable:** Most 'development' technology platforms are designed for use in high-bandwidth, high-computing power environments, with reliable network and power access. This excludes many citizens from actively participating in, and benefiting from, the framework. For the framework to be scalable it has to work in low bandwidth settings, and allow for asynchronous operation.
- 8. Interoperable:** The platform, and its data, must be interoperable with all other adjacent and overlapping platforms and databases. This requires data protocols and standards, including universal taxonomies (see below), as well as the design of APIs as a functional requirement.
- 9. Measurable:** The system must be designed in such a way that the flow of value is quantifiable, supporting better sense-making, decision-making and capital flow.
- 10. Investible:** Monetary value must be able to be assigned to the value created within the framework. This is the only way in which the necessary level of financial capital can be brought to bear on wicked problems.

Attachment 5: An EFT Action Learning Hub

These are the key elements of a proposal for next steps.

Goals: To accelerate financing of transformations to address the fundamental and urgent equity and ecological crises

Strategy: Develop an Action and Learning Hub of those developing Ecosystems for Financing Transformation.

Activities: There will be:

1. Working groups organised around four shared challenges,
2. Case studies to describe strategies and structures.
3. Two face-to-face meetings of the community and those working for EFT formation.
4. A futures direction-setting process.

Outputs:

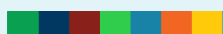
1. A well-organised community advancing EFT;
2. Well-framed understanding of the challenges and emerging EFT field;
3. A well-formulated and well-supported longer-term agenda and plan and
4. A website, data-based and communications infrastructure

Outcomes:

1. Accelerating financing of transformation through shared resources, language and connections
2. Making a fundamental contribution to addressing the urgent crises of our day

Duration: The proposal is for one year of activities, that will include review of the activities and development of a next stage of hub development if warranted.

Budget: Approximately \$100,000.



ENDNOTES

- ¹ <https://www.ashoka.org/en-us/program/ashoka-systems-change>
- ² [Seven Steps in Systems Change Funding](#), Ashoka and Community Fund, 2020, p. 8
- ³ Grady, Heather, Kelly Diggins, Joanne Schneider, and Naamah Paley Rose. 2018. "Scaling Solutions Toward Shifting Systems: Approaches For Impact, Approaches For Learning." Rockefeller Philanthropy Advisors.
- ⁴ McKinsey. 2020. "Embracing complexity: Towards a shared understanding of funding systems change." McKinsey. p. 23
- ⁵ Ibid. Preface.
- ⁶ Adapted from: Waddell, Steve. 2007. "Realising global change: developing the tools; building the infrastructure." *The Journal of Corporate Citizenship* (26):69-85. and Waddell, Steve. 2011. *Global Action Networks: Creating our future together*. Bocconi University on Management. Hampshire, UK: Palgrave-Macmillan.
- ⁷ Pelling, Mark. 2010. *Adaptation to climate change: from resilience to transformation*: Routledge.
- ⁸ Argyris, Chris. 1976. "Single-Loop and Double-Loop Models in Research on Decision Making." *Administrative Science Quarterly* 21(3):363-76.
Tosey, Paul, Max Visser, and Mark NK Saunders. 2012. "The origins and conceptualizations of 'triple-loop' learning: A critical review." *Management Learning* 43(3):291-307.
- ⁹ This includes:
 - Grady, Heather, Michael Brown, Joanne Schneider, Kelly Diggins, and Naamah Paley Rose. 2020. "Scaling Solutions Toward Shifting Systems: Seeing, Facilitating, And Assessing Systems Change." Rockefeller Philanthropy Advisors.
 - Kehrer, Daniel, Ursula Flossmann-Kraus, Sabrina Valeria Ronco Alarcon, Vivien Albers, and Gwendolin Aschmann. 2020. "Transforming our work: Getting ready for transformational projects." GIZ.
- ¹⁰ TCLP Signals of Transformational Change, Internal Working Draft v.2. April 6, 2021.
- ¹¹ [2019 Annual Impact Investor Survey](#), Global Impact Investing Network
- ¹² [Global stock markets gained \\$17 trillion in value in 2019](#), CNBC News, Dec. 24, 2019
- ¹³ Burgess, Cameron, Astrid Scholz, Arthur Wood, and Audrey Selian. 2018. "From Billions to Trillions: How a transformative approach to collaboration and finance supports citizens, governments, corporations, and civil society to share the burdens and the benefits of solving wicked problems." <https://trillions.global/>
- ¹⁴ Ibid. P. 36
- ¹⁵ <https://www.rockpa.org/project/scaling-solutions/>
- ¹⁶ This distinction is made in: Snowden, David J., and Mary E. Boone. 2007. "A Leader's Framework for Decision Making." *Harvard Business Review* 85(11):68-76.
- ¹⁷ Allee, Verna. 2008. "Value Network Analysis and value conversion of tangible and intangible assets." *Journal of Intellectual Capital* 9(1):5-24. and Allee, Verna. 2015. *Value Networks and the True Nature of Collaboration*: Meghan-Kiffer Press
- ¹⁸ Hussein, Taz, Matt Plummer, and Bill Breen. 2018. "How Field Catalysts Galvanize Social Change " *Stanford Social Innovation Review* Winter:48-54.
- ¹⁹ Waddock, Sandra, and Steve Waddell. Forthcoming. "Transformation Catalysts: Weaving Transformational Change for a Flourishing World for All." *Cadmus*.
- ²⁰ Waddock, Sandra, Steve Waddell, Bruce Goldstein, Bjorn-Ola Linner, Niko Schöpke, and Coleen Vogel. 2020. "Transformation: How to spur radical change." Pp. 82-90 in *Our Future on Earth Report*, edited by Alistair Scrutton: Future Earth.

For more information contact

swaddell@bouncebeyond.global

Websites

<https://catalyst2030.net>

<https://www.cattailstrategy.com/>

<https://www.bouncebeyond.global/>

Layout and Design

Design for systems change

