



Financial Ecosystems for Systemic Transformation

...creating coherence and impact in a chaotic world of financing transformation

An Invitation

This is an invitation to develop pathways with Founding Members of FEST to greatly accelerate and increase the financing of systemic change to address today's social equality, economic, and environmental crises. This is being done through the collaborative leadership of diverse innovators who are developing the **field of Financial Systemic Transformation (FST)**. As leaders, we will create a powerful ecosystem to accelerate the field's development. We call this initiative the **Financial Ecosystems for Systemic Transformation (FEST)**.

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June 29, 2023

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An Invitation to FEST

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Introduction

Addressing structural social equality, economic, and environmental crises requires systemic transformation. However, financing of that transformation is extremely inadequate in scale and the processes to connect finance to systemic change work are extremely weak. Current approaches to financing – philanthropic, governmental, and private – are largely unaligned with the needs associated with financing transformational solutions. The CoP27 President’s final statement called for “a transformation of the financial system and its structures and processes.”ⁱ In short, the financing systems themselves require deep systemic change.

In response to this need, thought and practice innovators are creating fundamentally new approaches poised for breakthroughs. This is a call to action to accelerate their work through the development of **Financing Systemic Transformation (FST) as an innovative field**. The **Financial Ecosystems for Systemic Transformation community (FEST)** is creating a transformation field catalystⁱⁱ strategy for the field’s development. An innovative financing strategy aims to address the persistent underfunding of field catalysts.ⁱⁱⁱ

This is an invitation to walk with us on this pathway!

Who we are

We are a community of thought and practice leaders in the FST field listed in Attachment B. We are **Founding Members** of FEST who are collectively advancing the field’s development.

Rationale

A new fertile field of FST is grounded in innovative mental models, tools, processes, and mechanisms. It represents a new paradigm of finance, beyond conventional impact investing, philanthropy, government funding, venture capital, and environmental, social, and governance (ESG) efforts. This new paradigm has been described in several reports^{iv} that include definitions and two tables in Attachment A.

FST is the intentional allocation of financial capital through a systemic lens for positive societal and environmental transformation. Recent discussion amongst the practice and thought leaders in FST development has identified four distinctive elements of their innovative approach. Collectively, these form a hypothesis about how to create the field of FST:

1. Resolutely **committing to systems change and transformation**, rather than modest adjustments to conventional systems.
2. Holding a shared vision of **the transformational direction** - holistically focusing on societal and natural environmental flourishing and well-being that includes values such as equity and human-nature harmony.
3. **Organizing financing systems**, rather than just a fund, pipeline innovations, new measurement approaches, or new capacities. Entrepreneurs are developing all of these elements *and* the relationships between them to catalyze comprehensive new systems that supersede innovations within the convention financing system.
4. Allocating investment to **develop and amplify the relationships among actions/projects** to realize the scale, scope, and complexity of the systemic transformations that are pivotal for our collective future.



Background

The traditional finance system is stuck in an old paradigm that is proving grossly misaligned with the well-being of our planet and people.^{iv} This includes philanthropic, governmental, and private investors who are unable to sufficiently deploy the financial resources needed to advance the 17 ambitious SDGs. There is a clear need for highly innovative financing approaches that can support the depth and breadth of the transformation required to address the inertia of these legacy systems.

Beginning in early 2021, Working Group 11 of Catalyst2030 began investigating the emerging field of FST by identifying and convening those already engaged in its development. This led to the report “[An Investigation into Financing Transformation](#).” The Working Group now includes thought leaders and practitioners who have authored five additional, aligned reports^v that collectively form the basis of this proposal.

The Working Group also has undertaken a collective analysis of the current state of the field. This state displays both positive and problematic qualities. On the positive side are qualities that provide a rich and very promising foundation for rapid field development through collective action learning. The field is:

- **Full of creative and determined energy:** With very modest resources and huge challenges, entrepreneurial leaders have been persisting for years.
- **Actively experimenting:** Big questions, such as how to bake in equity, mobilize capital, and create new measures are being addressed through think-action experiments.
- **Comprised of richly diverse approaches:** Innovations are arising globally and initiation points are very diverse. Action is associated with a wide range of issues such as climate change, food security, and women’s empowerment.
- **Demonstrating substantial potential:** FST examples are reaching mid-maturity promise.
- **Radically collaborative:** Competitive pressures are being addressed through co-creation and collective action to address FST field development.

The problematic qualities of the state of the field include:

- **Low visibility and recognition of the “field” and its potential:** The nascent and innovative quality of the FST work is associated with a confusion of terms and ideas that blur its distinctiveness from more traditional approaches such as impact investing, ESG, and socially responsible investing.
- **High fragmentation:** Weak connections mean innovators contribute to the field’s confusing array of terms; they repeat learnings unnecessarily; and have trouble mounting experiments of scale.
- **Financial stress:** Financial stress is common in an emerging field. However, in this case, it means that it lacks resources for its own development **and** for financing systemic transformation.
- **Bridging knowledge and capacity gaps:** A young field requires new knowledge, tools, processes, capacities, and support for their adoption.

The state of the FST field analysis identified two elements of the field (Figure 1). One element is nascent individual FST ecosystems, represented by green circles. Some, like the Climate Investment Funds (CIF), have evolved from traditional funding mechanisms into ecosystems; others, like are spin-offs like TransCap being a product of the European science-government initiative Climate-KIC; Industree is an Indian ecosystem growing out of organizing of artisans; Innpectia is a Latin American platform evolving into an ecosystem; SSX is a social stock exchange opening in Edinburgh in 2024. These are initiatives that reflect the four definitional qualities were listed earlier.



The second field element reflects necessary components of an FST system that are not connected to a particular FST system but are aligned with FST organizing logic and values. The Investment Integration Project (TIIP) works with private capital to support its systemic impact; Converge is a platform for accelerating/facilitating the blending of capital; carbon credits are often part of financing transformation, as are Nature Bonds; new Future Value approaches integrate future flows of negative and positive externalities.

The early FST development stage and positive qualities make the field ripe for collaborative development. The strategic investment will develop field recognition, tools, processes, knowledge, capacity, and scale. Investing collaboratively and working as a system of financial, thought and action leaders will address fragmentation and lay the foundation for scaling, learning exchanges, shared experimentation, and reduction of duplicative effort.

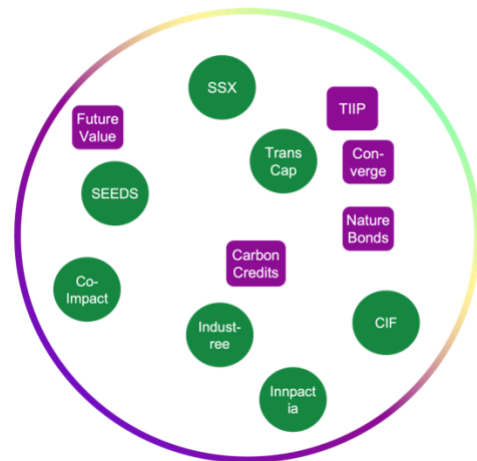


Figure 1: Component Parts and Ecosystems

Although the FST systems today are tiny, they hold promise for world-changing results. However, systems-change organizations encounter distinct obstacles when attempting to solve transformational challenges of scale, complexity, and time-consuming horizons. This proposal focuses on facilitating the fundamental stakeholder collaboration required to address these FST obstacles. We propose a set of actions to greatly accelerate the field's development.

The Field Development Pathway

Project purpose, goal, and objectives

Purpose: To create a powerful Financial Ecosystem for Systemic Transformation (FEST) that greatly accelerates the development of the field of Financing Systemic Transformation (FST) by facilitating synergistic collaborative action amongst its actors.

Main goal: Over one year, this initiative will develop the relationships, resources, and a detailed 3-5 year collaborative pathway for the field's development to a stage where it can rapidly mature.

Specific objectives:

1. Undertaking a **current reality analysis** by identifying and mapping those in the field, and their activities.
2. **Creating a well-connected coherent ecosystem** of people, organizations, resources, and activities that are unleashing the collective potential of the field.
3. **Supporting experimental projects** that develop FST approaches and make them a powerful, recognized, and supported part of the financing and transformation landscape.

Project Strategy

The strategy responds to each of these three specific objectives, building on the field's current positive qualities and addressing the problematic qualities (identified earlier) that inhibit the potential breakthrough. The strategy includes: identifying key FST examples with mid-maturity promise; strengthening connections to develop trusted relationships among innovators; and providing the space and opportunity to develop stakeholder experiments to advance approaches/tools.

The pathway for developing FEST is represented in Figure 2.

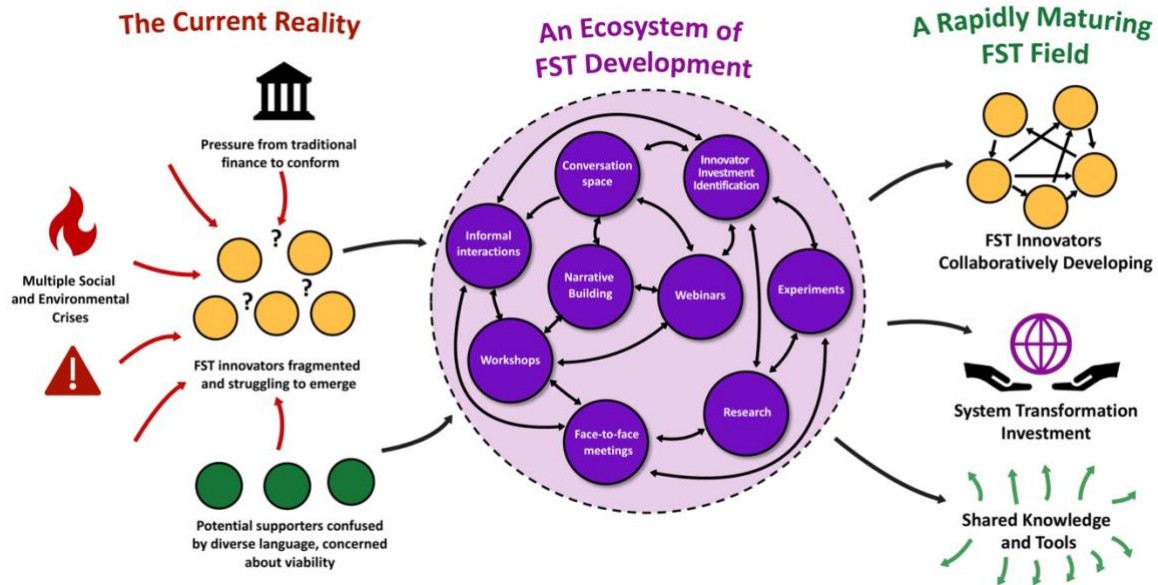


Figure 2: Developing a Rapidly Maturing Field

To realize a rapidly maturing FST field will require three to five years. There are three components in this pathway that if initiated during one year can lead to facilitate such rapid and sustainable growth.

Component 1. Current reality analysis that identifies and maps those in the field, and their activities.

This component focuses on identification of people, initiatives, organizations and innovations in the field FST, and their relationships, roles and dynamics. This builds on analysis of the Working Group and FEST members.

Figure 1 of Ecosystems for FST and components is complemented by Figure 3 to define the system being analyzed. It includes:

1. FST Lead Organizers and Organizations: These are FST ecosystems and people in them.
2. The component parts, innovations and people associated with them.
3. FST Allies who are or want to be field participants:
 1. Governmental and Inter-Governmental Organizational issue owners and policymakers
 2. Capital Holders - Philanthropic, private, and governmental
 3. Knowledge experts - academics, capacity developers, and others with relevant expertise

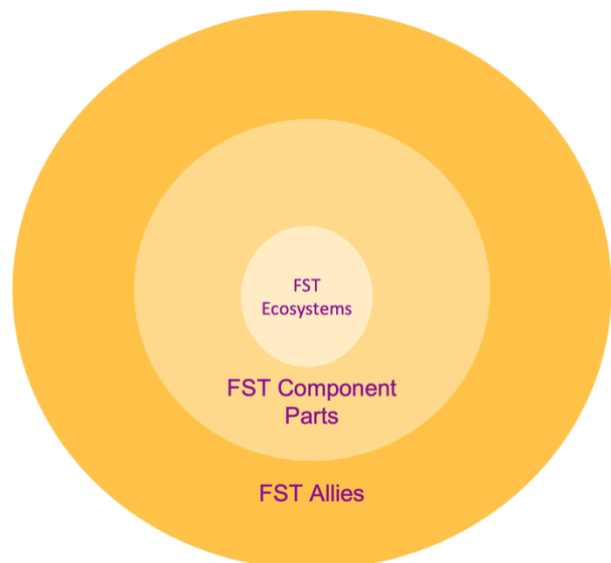


Figure 3: A View of System Stakeholders

The analysis and identification of those in the field will lay the foundation to design the field's development pathway. Achieving field maturity requires engaging and expanding the various actors who have unique and complementary roles in the field and FST ecosystems.

The following set of actions is projected:

1. Mapping systems change initiatives, stakeholders, and best practices.



2. Interviews to build interpersonal relationships and obtain information for field analysis.
3. Social Network Analysis to describe inter-personal and inter-organizational relationships.
4. Value Network Analysis to describe roles and exchanges in the ecosystem.

Expected outputs

1. Identification of participants in the field.
2. Maps of interpersonal and inter-organizational relationships.
3. A design of a powerful FST Ecosystem in terms of current roles and exchanges and those needed for it to be high-functioning.

Component 2. An ecosystem of well-connected people and resources that are unleashing the collective potential.

Through collective action, we aim to support diverse participants in the field of FST to develop and refine their roles. For example, financiers and deal makers will learn how to deeply connect and collaborate in FST by co-creating innovative connections between them. This will enhance the radical collaboration capacity of stakeholders which is vital for the field to realize its capacity and potential.

We will create field coherence by connecting the people, organizations, and resources to unleash potential synergies for the field's development. For example, working groups will be established around particular development challenges and opportunities. This will include issues such as how to aggregate capital with an FST goal, defining evaluation methodologies, creating networks of social stock markets, and looking at financing regeneration. This will produce powerful alignment that is activated collectively to generate momentum.

The following set of actions is projected:

1. Creating Working Groups of Founding members and other people identified through the mapping, to assemble and advance knowledge, tools, and processes to address critical issues such as aggregating and blending finance, metrics, policy, and ensuring equity.
2. Developing a website, database, and communications infrastructure to boost the messaging of the FST ecosystem.
3. Undertaking case studies of FST systems to identify optional structures and lessons and explore new roles.
4. Implementing a stakeholder Direction-Setting Three Horizons futures process.

Expected outputs:

1. Shared language, vision, and understanding of the challenges and leading practice.
2. Leading communities of practice around particular FST development issues.
3. A resource base of tools and cases.
4. An operational strategic pathway for the field, with a community to ensure its development.

Component 3. Supporting experimental projects that develop FST approaches.

Building on the other two components, this one advances the field's development through experimental action research/learning initiatives that are critical to moving the field to the mainstream. This will include defining designs of FST systems and their critical elements, that can address issues such as policy, financial instruments, financial blending/aggregating, systemic investing, equity, and assessment.

Some aspects of this component's development are already being undertaken by Working Group members, such as with the development of systemic investment strategies and measuring their impact. They will continue to have leadership, with FST by bringing coherence to their individual activities. This



coherence will heighten the impact of individual FST system organizers and expand the range of collective action opportunities that will accelerate the field's development.

This component comprises the following set of activities:

1. Piloting integrations and assessment studies among the elements in Figure 1.
2. Supporting investment experiments with a systemic impact lens.
3. Developing financial instruments for field-wide use.
4. Experimenting with innovative governance for equity within communities.

Expected outputs

1. Technical knowledge and solutions to support the field's development.
2. Comprehensive "packages" of alternative FST system approaches for adaptation in diverse contexts.

Outcomes

These three components together, over three to five years, will produce these outcomes:

1. A well-recognized, well-supported FST field.
2. A powerful ecosystem that is propelling forward the field's ongoing evolution.
3. A new evolving narrative, shaping the direction of the field and influencing/shifting expectations of norms and behaviors.
4. A network with the requisite diversity committed to accelerating FST; and
5. A fundamental contribution to addressing the urgent crises of our day by creating the foundation for financing their transformation.

In short, FST approaches will become a powerful, recognized, and supported part of the financing and transformation landscape.

Financing Strategy for FEST Development

An innovative, modular financing strategy is being developed. It aims to raise investment in the field's development incrementally, rather than through one large investment. It also aims to do this by creating relationships among the investors and among the investors and others in the FST field. Moreover, by seeking modest contributions from any one funder, this proposal will not be competitive with other Ecosystem participants' larger investment requests. This proposed strategy itself aims to reflect the innovative approach that is at the heart of FEST work.

Organizations are being approached to join the **Founding Members** (Attachment C) to participate as both **Financing Sponsors** and **Members**. Financing Sponsors will contribute \$25,000 - \$50,000 to develop FEST. They will also be expected to participate as Members in the activities, such as a Working Group or community learning events. A group of four to six diverse Financing Sponsors and Members will oversee the work.

In addition to developing the FST field, the **Benefits** of participation are:

1. Access to the leading FST knowledge, tools, and processes;
2. Development of relationships with leading FST players;
3. Greater insights into the emerging principles and practices of systemic social change and expanded capacity to identify how to play a role to most effectively contribute to the field's development.

A minimum of \$100,000 will be required, for any activity to advance. This reflects the need to generate modest momentum and rationalization of administrative support.

Modular investments are being solicited as follows:



Activity	Individual Cost	Year 1 Priorities
Component 1		
Undertake Social network and value network analysis	25k	25k
Three case studies	25k	25k
Subtotal Component 1		50K
Component 2		
FEST Coherence and Network Development	35K	35K
Three Horizons futures process	25k	25k
Face-to-face community planning meeting	50k	50k
Website and database platform	25k	25k
Support Two Working Groups	25k	50k
Subtotal Component 2		185K
Component 3		
Specific action experiments	25k-250k	50K
Subtotal Component 3		50K
TOTAL (1) + (2) + (3)		285K

More details about each activity [can be found here.](#)

Organizational Structure

FEST will be organized as a membership Collaboration, with continued Catalyst2030 affiliation. The [Buckminster Fuller Institute](#) (BFI) will provide funds management and be an active participant. Since 1983, BFI has served an international network of Fuller-inspired innovators. Operational leadership will be provided by [Bounce Beyond](#), a global community of people and initiatives that are accelerating systemic transformation.



Attachment A: Definitions of Systemic Transformation Finance

Definition 1: Dominic Hofstetter. “Transformation Capital – Systemic Investing for Sustainability.” Climate-KIC, 2020. <https://bit.ly/Hofstetter-Transformationcapital>.

Transformation Capital is a systemic investment logic designed to catalyse mission-driven sustainability transitions in the real economy.

...the practice of deploying capital to catalyze a directional transformative change of socio-technical systems.

Table from the report:

Comparison		
	Traditional Impact Investing	Systemic Investing
Impact Frame	improve a metric	transform a system
Source of Impact	individual companies/projects	portfolio effects
Unit of Analysis/Transaction	single asset	strategic portfolios
Impact Metrics	static gains/reductions	systems dynamics
Funding Paradigm	single instrument	funding architecture
Nature of the World	predictive, linear, atomized	uncertain, complex, systemic

Definition 2: Hannant, A., I. Burkett, E. Fowler, T. O’Brien, J. McNeill, and A. Price. “Design Foundations for Systems Capital.” Yunus Centre Griffith University, Hatched, 2022.

(Systems capital is) ...an investment approach with the primary purpose of fostering systems innovation and transformation

Definition 3: Leadbeater, Charles, Jennie Winhall, and Shawn Smith. “The Path to a Preferable Future: Investing in System Innovation.” Working Draft. Rockwool Foundation, November 2022. Pp. 7-8

By “systems investing,” we mean the various ways in which resources of many kinds – money, people, real estate, relationships, ideas, and paradigms – are mobilised and deployed with the goal of shifting systems or creating new and better ones.

- The word “invest” is used throughout this paper as shorthand for a range of ways of mobilising and deploying capital, including return-seeking investment, granting or other funding, and whether using private, public, philanthropic, or community capital.
- By better, different systems we mean systems that will support an equitable, sustainable, flourishing, and regenerative economy.
- By *shifting* systems, we mean unlocking enduring changes in the resource flows, relationships, power, and purpose of a given system.



Definition 4: Roberts, Ben, Katie Dyer, and Paula Veselovschi. “Funding Governance for Systemic Transformation: Allocating Investment and Grant-Making for a Regenerative and Distributive Economy.” r3.0, 2022.

...allocating investment and grant-making for a regenerative and distributive economy characterized by:

- Inclusive deliberative processes (that) give citizens co-equal status in all funding decisions
- Long-term investments in the well-being of all, grounded in relationships with people and nature

Definition 5: Waddell, Steve. “An Investigation into Financing Transformation.”

https://catalyst2030.net/project_category/catalyst-2030-reports/: Catalyst2030 Bounce Beyond Cattail Strategy, 2021.

	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/ <u>programme</u> -driven investment/granting
Action Logic	Simple (sense-categorize-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	Liberators: embracing complexity and difference to unlock potential
Investment Focus	Technological/physical infrastructure with environmental concerns	Socio-technological infrastructure within planetary boundaries



Attachment B: Thought and Practice Leader Founding Members

Last Name	First Name	Associated Initiative/Publication
Bowles	Suzanne	Indigenous Commons Kinship
Carruthers	Tomas	Social Stock Exchange
Chhiber	Neelam	Industree
Cordon	Rieki	Seeds
Cowan	Stuart	Buckminster Fuller Institute
Draimin	Tim	Social Investment - Canada
Ford	Lawrence	Future Capital
Hannant	Alex	Design Foundations for Systems Capital
Hofstetter	Dominic	Transformation Capital – Systemic Investing for Sustainability
Huddart	Stephen	The University of Victoria Gustavson School of Business
Key	Erica	Future Earth, US Global Hub
Korijn	Alexandra	IMP+
Leadbeater	Charlie	Rockwool Foundation & The Systems Shift Collaboration; The Path to a Preferable Future: Investing in Systems Innovation
Lozano	Juan	Innpactia
Muoio	Anna	New Capitalism Project
Panjwani	Manoj	OneShared.World, Impact Capital Forum
Patten	Matt	Catalyst2030
Raimond	Rex	Transformational Investing in Food Systems
Rigicliano	Rob	Systems and Complexity Coach
Roberts	Ben	<i>r3.0; Funding Governance for Systemic Transformation</i>
Schneider	Magdalena	Transcap Initiative
Schots	Johan	Transforming Investing – University of Utrecht
Shames	Seth	1000 Landscapes for 1 Billion People
Waddell	Steve	An Investigation into Financing Transformation
Wood	Arthur	Equity4Humanity and Total Impact Capital



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ⁱⁱ Taz Hussein, Matt Plummer, and Bill Breen. "How Field Catalysts Galvanize Social Change." *Stanford Social Innovation Review Winter* (2018): 48–54.

Waddock, Sandra, and Steve Waddell. "Transformation Catalysts: Weaving Transformational Change for a Flourishing World for All." *Cadmus* 4, no. 4 (2021): 165–82.

Lee, Ju Young, and Sandra Waddock. "How Transformation Catalysts Take Catalytic Action." *Sustainability* 13, no. 17 (2021): 9813.

ⁱⁱⁱ Farnham, L. et al. [Funding Field Catalysts.](#) Skoll Foundation and The Bridgespan Group. March 2023.

^{iv} The short-comings of conventional financing approaches to address FST include:

1. Analyses of philanthropic sectors weaknesses includes [Catalyst2030's Call to Action.](#)
2. Analyses of the contradictions between governments' core logic and transformation needs includes: Loorbach, Derk A. "Designing Radical Transitions: A Plea for a New Governance Culture to Empower Deep Transformative Change." *City, Territory and Architecture* 9, no. 1 (2022): 1–11.
3. Analyses of the inadequacy of ESG approaches includes: Keeley, Terrence. *Sustainable: Moving Beyond ESG to Impact Investing.* Columbia University Press, 2022.
4. Analyses of the inadequacy of Impact Investing includes: Impact Investing Golka, Philipp. "The Allure of Finance: Social Impact Investing and the Challenges of Assetization in Financialized Capitalism." *Economy and Society*, 2023, 1–25.

^v These reports include:

1. Hannant et al., "Design Foundations for Systems Capital." Yunus Centre - Griffiths University. 2022.
2. Hofstetter, Dominic. "Transformation Capital – Systemic Investing for Sustainability." Climate-KIC, 2020.
3. Leadbeater, Charles, Jennie Winhall, and Shawn Smith. "The Path to a Preferable Future: Investing in System Innovation." Working Draft. Rockwool Foundation, November 2022;
4. Roberts, Ben, Kate Dyer, and Paula Veselovschi. "Blueprint 8: Funding Governance for Systemic Transformation." r3.0, September 2022.
5. TIIP. *Approaching the Tipping Point: Recommendations for Building the Marketplace for System-Level Investing.* The Investment Integration Project, 2022.
6. Waddell, Steve. "An Investigation into Financing Transformation." : Catalyst2030 Bounce Beyond Cattail Strategy, 2021.