BRIDGING THE ^(financial) GAP

A dialogic tool for exploring finance innovation within the Netherlands Red Cross

Alejandra Zentella Gómez
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Author
Alejandra Zentella Gómez
azentellag@gmail.com

Master thesis
MSc. Strategic Product Design
Faculty of Industrial Design Engineering
Delft University of Technology

Graduation committee
Chair | Prof. Dr. Peter Lloyd
Faculty of Industrial Design – Integrated Design Methodology

Mentor | Dr. Rebecca Price
Faculty of Industrial Design – Assistant Professor

Organization Mentor | Dr. Klaartje Docters van Leeuwen
International Assistance division at Netherlands Red Cross -Institutional Donor Coordinator

"You can change the world, but first you need to be willing to change yourself"

- Tom Bilyeu

Acknowledgements

Three years ago, I was frustrated.

I could see people's dreams and struggles: frustrated managers, underappreciated workers, unachieved dreams of expansion, tired people. And I wanted to help, but I had no idea how. I didn't have the tools, the agency, the credibility, nor the confidence to try solutions for the challenges I saw. I was craving for building the mindset and skillset so I could go to one of these people and say "I see you; I see what you're trying to do here. I can help".

For most people, TU Delft offers knowledge; but what TU Delft gave me is a feeling that I can make a difference. Empowerment.

I want to thank Klaartje for a warm welcoming to the NLRC, and the BD&A and other members I had the pleasure to talk with for the interesting conversations.

I specially thank Peter and Rebecca for having my back through this process, for truly caring. I learned a lot from you.

Above all, I want to thank my parents and my girlfriend for their unconditional love and support. Your presence during difficult times (although remote) meant the world to me.

– Alejandra Zentella

ABSTRACT

We live in an increasingly complex and interconnected world, were several developments like shifting political power, blurry physical and conceptual frontiers, and recently the COVID-19 pandemic, test the resilience of organizations and individuals.

The humanitarian system and its financing structures are under great pressure as several protracted crises affect over 2 billion people living in countries by fragility, conflict and violence. Despite the efforts of governments, INGOs, and other allies to address some of the long-lasting funding and efficiency problems; the gap between needs and aid continue to grow.

For this reason, several organizations are exploring Innovative Finance ; a wider range of financing structures and sources that have the potential of increasing funding, improving the efficiency and effectiveness of processes, and crowding in new actors.

The aim of this graduation project was to investigate how could the Netherlands Red Cross (NLRC) seize the potential of these innovative financing mechanisms to increase the impact of their humanitarian activities.

The first part of this project contemplated research involving three spheres of knowledge: the humanitarian landscape, innovative finance, and the NLRC as an organization, which lead to the realization that the entities involved in this topic are connecting to each other to increase their resources and know-how. However, this 'Emergent Ecosystem for Innovative Finance' is facing some barriers to their success, namely, cumbersome collaboration, reluctance & hesitation of external actors to engage, and unfit processes for addressing uncertainty and complexity.

Luckily, research also offered recommendations on how to tackle these difficulties, which are collected in three categories. The first one is to build and nurture social networks, the second one to articulate problem field and shared visions; finally, to adapt individual's and organization's mindsets, processes & structures

The NLRC, as a key player in the humanitarian landscape could benefit from working with these novel financial mechanisms, and could offer important assets and expertise to this ecosystem. However, they are still hesitant about adopting a more proactive stance.

With the aim of helping the members of the International Assistance Department of the NLRC to articulate their vision and explore ways to overcome their barriers for taking part in these innovations; the outcome of this project is a dialogic tool in the form of a large-scale visualization of the key findings of the research. This object has the double purpose of increasing awareness on the topic, and facilitating dialogue between members of the NLRC or other stakeholders.

It's playful and colourful visual language aims to be attractive and engaging. And it's size and material provides flexibility of use; it could be showcased as stand-alone poster, or be the anchor piece of workshop.

Index

Acronyms

BD&A	Business Development and Advisory Unit
EEIF	Emergent Ecosystem for Innovative Finance
GIFT	Global Innovative Finance Team
HIB	Humanitarian Impact Bond
IA	International Assistance Department (Netherlands)
ICRC	International Committee of the Red Cross
IF	Innovative Finance
IFM	Innovative Financing Models
IF4D	Innovative Finance for Development
IFRC	International Federation of Red Cross and Red Crescent societies
INGO	International Non-governmental Organization
MOFA	Ministry of Foreign Affairs (Netherlands)
NGO	Non-governmental Organization
NLRC	Netherlands Red Cross
NS	National Society
ODA	Overseas Development Assistance
RCRC	Red Cross Red Crescent Movement
SIB / DIB	Societal / Developmental impact Bond
WASH	Water Sanitation and hygiene
WEF	World Economic Forum

Glossary

Ecosystem

A set of entities playing in a context, coherently organized in a way that they can exchanging value, leveraging resources, and generating outcomes to achieve something. A system must consist of three kinds of things: elements, interconnections, and a function or purpose

Entity

An individual, economic and social actor with specific objectives. It can be a person, an organization, an institution, a team.

Financing Model

Representation of the rationale of how an organization or group of them acquire and use money

Innovation ecosystem

An ecosystem with the explicit purpose of developing innovation.

Innovative Finance

"Any instrument beyond a traditional grant that mobilizes new capital and/ or improves the efficiency or effectiveness of existing capital to tackle social and environmental problems." (Sarkisova & Perakis, 2018)

Role

Category of players, clustered primarily according to how much they share motivations to join, assets and capabilities (resources that they can leverage) and type of value exchanges they're looking for.

Socio-technical systems

"Socio-technical systems consist of a cluster of elements, including technology, regulation, user practices and markets, cultural meaning, infrastructure, maintenance networks and supply networks. Transitions at the level of societal functions thus consist of a change from one socio-technical system to another." (Geels, 2005a).

Wicked / Complex problem

Problems in which there is little or no agreement on the definition of the problem, clear solutions to the problem owing to the wide array of possible solutions and trade-offs associated with each, or easily identified causes or authority due to the problem having multiple potential causes, jurisdictions, stakeholders and regulator or implications.

A. CONTEXT

This chapter provides an introduction to the project's context as part of a global effort to address the world's greatest challenges. It arguments the relevance of this thesis and indicates the gap it aims to address within the Netherlands Red Cross and its ecosystem. Finally, it provides a description of the assignment, approach, and process followed.
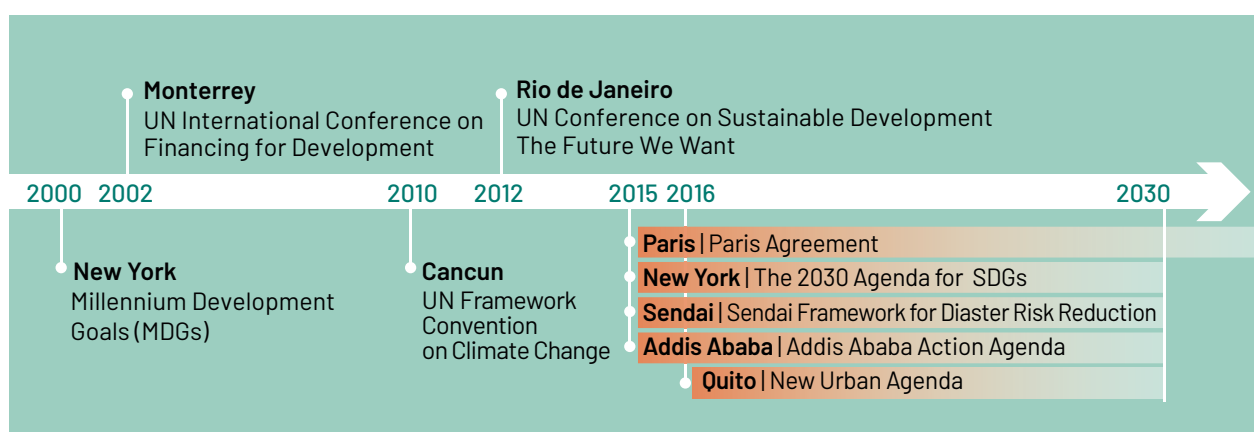
A.1 Project Context

Figure 1: Timeline of Global Agreements for Sustainable Development

The year 2000 was received with enthusiasm; a new millennium, a new opportunity to change the course of history and do things the right way. Since then, global leaders have come together several times and agreed upon actions to address the greatest world challenges. 2015 was a landmark year for the international commitments, the most recognized are The Sustainable Development Goals (SDGs), which aim to unify efforts globally to meet the urgent environmental, political and economic challenges we are facing (UN, 2019).

Despite the efforts, these challenges are increasing by the day. The impacts of climate change such as increased volatility of weather patterns, coupled with failures in global and regional governance are resulting in more and worse humanitarian emergencies; putting the humanitarian system under a huge strain and in increasing demand of resources (Roche & Hewett, 2013).

Achieving the ambitious SDG goals will require more than unified efforts. It demands unprecedented changes in the way things are done; different approaches, different mindsets, different collaborations, different players. It's been stated by several researchers and organizations that the SDG agenda will fail if business as usual is continued (Green, 2015; IFRC, 2019).

And it will require a lot of money. The financing gap to achieve them in developing countries is estimated to be US$ 2.5 – 3 trillion per year, which will have to come mostly from non-governmental sources. (UNCTAD, 2015). These estimations were made before the COVID-19 pandemic hit; it is indisputable that this number has now increased. The economic effects of this crisis are still to be evaluated, but they will certainly challenge INGOs (Tallack, 2020).
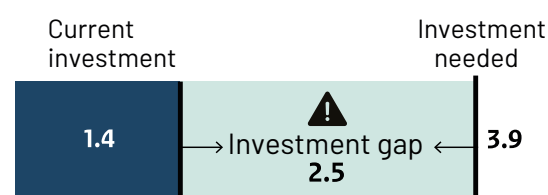

Figure 2: Investment gap

A.1.1 The Financial Gap

These goals and the challenges that need to be addressed have resonated throughout all levels of society and the response has been very varied. Public budgets towards development cooperation has increased (OECD, 2020) and many countries have taken steps to 'green' their financial systems (UN Roadmap, 2018). Trends in the private sector such as corporate social responsibility, social entrepreneurship, or B-corps reflect how these goals have permeated thought the society. And organizations such as UN, Oxfam, and RCRC Movement have increased their budgets to humanitarian response in the past years.

Action is being taken everywhere; nonetheless, the financial gap is still huge. So the question arises: *How are we going to close this gap?* If the current ways of doing things won't suffice, the answer must be through innovative approaches. There is a need to crowd in more and different type of investors, spend funding more efficiently, and use technology to make humanitarian aid more appropriate. Specifically, there is an urgency for new funding and financing sources that complement the ongoing financial strains.

> *"We recognise that new approaches are needed to drive global change. We have a responsibility to use our reach and our resources effectively. To do this we must listen, think and act differently, and be open to learning and adapting along the way"*
>
> - IFRC 2030 Strategy, 2019

The Role of the Netherlands Red Cross

As part of this global effort to relief suffering and improve the lives of people, the Netherlands Red Cross (NLRC), and the Red Cross and Red Crescent Movement (RCRC) as a whole, is committed to mobilizing resources towards achieving these goals. Last year the IFRC presented their new strategy for 2030 (IFRC,2019), which sets the ground for core transformations that are expected to bolster the impact of their work. They also express their awareness that their capability to rise to the global challenges of the coming decade will depend on their ability to adapt their structures.

Since 2017, some actors within the RCRC Movement have started to develop several projects aimed to innovating in this area. A very renowned example is the first Humanitarian Impact Bond (HIB), initiated by the ICRC. (Bond, 2018)(See section B.3 for more information). Another approach was the 121 Project; an end-to-end Cash Based Aid (CBA) system using blockchain technology (510, n.d.) conducted by 510, a Netherlands Red Cross Initiative.

Finance innovation has proven to be challenging due to several limitations, including complex collaborations, risk-averse actors, and lack of expertise and tools to assess the viability and risks of the incipient finance and business model innovations. Favorably, several new financing models are emerging, growing both in terms of their market size, their operations and the way they serve those in developing countries. The NLRC understands the need of adapting in order to seize the potential that these innovations promise.

The focus of this master thesis is to analyse the current state of the context and the Netherlands Red Cross to propose an intervention that will aid the NLRC to size the potential of innovative funding models.

A.1.2 Brief introduction to the Netherlands Red Cross

The movement

The International Red Cross and Red Crescent Movement is known as the world's largest humanitarian network, founded to protect human life and health, to ensure respect for all human beings, and to prevent and alleviate human suffering. (IFRC, 2020)

It is organized as a network of independent bodies, each of them functions as an

independent body with a specific focus within the global mandate and exercises no authority over others. As partners, they collaborate with each other, governments, donors and other aid organizations in a complex array of connections that target vulnerable people around the world. It contains three main components that differentiate their missions and therefore roles within these collaborations.
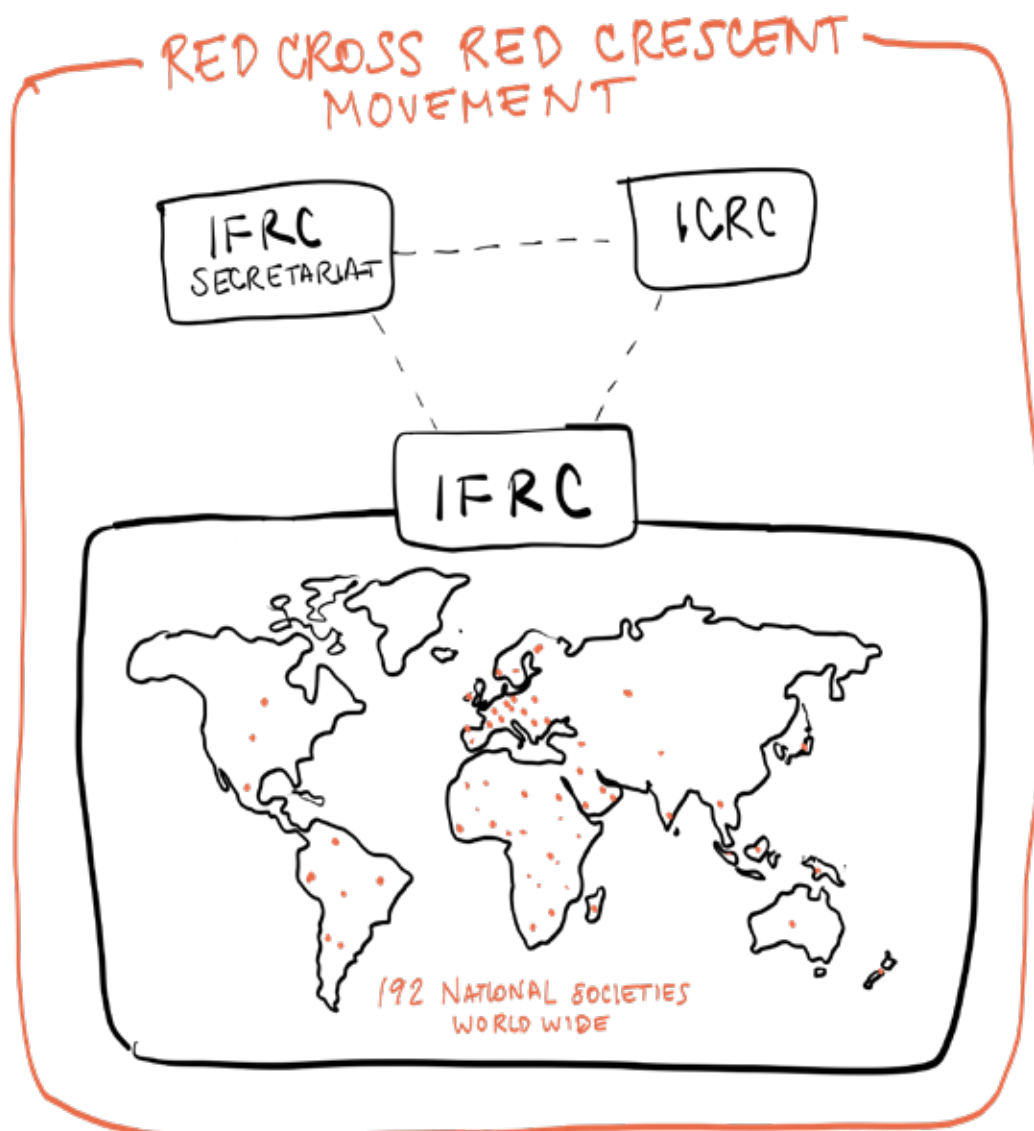

Figure 3: Red Cross Red Crescent Movement

The International Committee of the Red Cross (ICRC)

The lead agency for victims of international and internal armed conflicts. During situations of conflict, the ICRC is responsible for directing and coordinating the Movement's international relief activities. It also promotes the importance of international humanitarian law and draws attention to universal humanitarian principles.

192 members of the International Federation of Red Cross and Red Crescent Societies

National Red Cross and Red Crescent societies (NS) exist in nearly every country in the world. Within their home country, they take on the duties and responsibilities of a national relief society. Many times, they work with the IFRC and other National Societies in responding to catastrophes around the world. National Red Cross and Red Crescent Societies are neither governmental institutions nor wholly separate non-governmental organizations (NGOs). According to the Statutes of the Movement, National Red Cross and Red Crescent Societies are "auxiliary to the public authorities in the humanitarian field." This auxiliary role can be described as "a specific and distinctive partnership, entailing mutual responsibilities and benefits, based on international and national laws, in which the national public authorities and the National

Society agree on the areas in which the National Society supplements or substitutes public humanitarian services" (Bugnion, 2007). In order to be a recognised member of the International Red Cross and Red Crescent Movement, a National Society's auxiliary role must be recognised by the national legislation of its country.

The International Federation of Red Cross and Red Crescent Societies Secretariat (IFRC)

The IFRC Secretariat is a global organization that coordinates and directs international assistance when natural or man-made disasters occur in non-conflict situations. Its mission is to improve the lives of vulnerable, however, their operations are combined with developmental work such as disaster preparedness and health activities.

The Netherlands Red Cross

The Netherlands Red Cross is one of this 192 National Societies and shares with them the same mission to prevent and relieve human suffering, everywhere; protect lives and health, and safeguard respect for every human.

At the National level, its response team, with the help of 20,000 volunteers, provide support for evacuations, rescue operations, and vulnerable communities. At an international level, they provide disaster relief by supplying food, clean water, shelter and medical care. In 2018, they spent €23.3 million on 146 disaster relief operations in 45 countries. Besides providing disaster relief, they also focus on bilateral partnerships, twelve sister societies with their programmes on increasing the resilience of vulnerable communities. (NLRC Annual Report, 2018) An in-depth analysis can be found in section B.4.

1 Humanity
2 Impartiality
3 Neutrality
4 Independence
5 Voluntary service
6 Unity
7 Universality

Figure 4: IFRC Seven Fundamental Principles

A.2 Assignment

A.2.1 Project aim

The central aim of this thesis is to understand the system and value transactions of the actors involved in innovative finance for humanitarian purposes and design an intervention that enhances the impact for the NLRC. This could include supporting the International Assistance Department (IA) understanding their own needs, aspirations, and necessary resources; and to provide a direction for implementing the elements of innovative financing that fit their vision and culture.

Target User

This project was conducted within the Business Development & Advisory Unit. The results of this thesis aim to be of use to this team specifically, but also to the International Assistance unit as a whole and support them in moving forward.

Research Questions

The project originated from some concerns the NLRC had in terms of how potential future funding streams for the Red Cross were developing, and whether NLRC would be missing out if not investing in building capacity to tap in to them, but also being mindful of risk and cost-benefit considerations, which lead to these three research questions:

- To what extent do innovative financing/ funding models match humanitarian organizations such as Netherlands Red Cross?

- What models make sense in the future for the Netherlands Red Cross?

- How to bridge the information and experience gap between potential new financing/funding models and the current way of working of the Netherlands Red Cross?

This was the design question that guided me through the project:

Research Question

How can the NLRC seize the potential that innovative financing models offer to increase the impact of their international aid efforts?

"Strategic design is about applying some of the principles of traditional design to "big picture" systemic challenges"

– Tim Brown

Key focus areas

Additionally to the framing of the domain, it was important to identify the product of the project as the intersection of three areas that needed to be understood and ultimately fit together:

Project scope

With a rather open brief, it was very challenging to define the limit of the scope. Since the trigger of this graduation project was an interest on innovative funding/finance models, I started researching with a scope on the RCRC and Innovative Finance within the humanitarian sector. However, it became clear rather quickly that in order to truly understand the context, the scope had to be broadened. Soon, it broadened to a systemic analysis, risking staying too abstract. Latter on, I painstakingly pulled the scope back down to focus only on that which I had an influence on and was most helpful for the BD&A unit and NLRC.

A.2.2 Approach

Strategic Design Approach

The nature of the concerns that lead to this project are future-oriented and aim to assist the NLRC's decision-making; they reflect an interest in topics essential to strategic design (Price & Kleinsmann, 2018).

Additionally, the context in which the NLRC is embedded is very complex and their goals address systemic issues. Therefore a strategic design approach, methods, and tools are especially well-suited for this challenge.

Adapting through Covid-19

I started this graduation project before the Covid-19 pandemic stroke the Netherlands. However, after a month of work I was forced, as many others, to work from home and adapt my research to what is possible through remote work.

This meant that my original plan of having a close relationship with the members of the NLRC and performing co-creative sessions became challenging, and I shifted my process to a more theoretical approach. By the end of my project, the global context had completely changed. Since I could not continue my research endlessly, I tried to simply enrich the content with new 'post-covid' information.
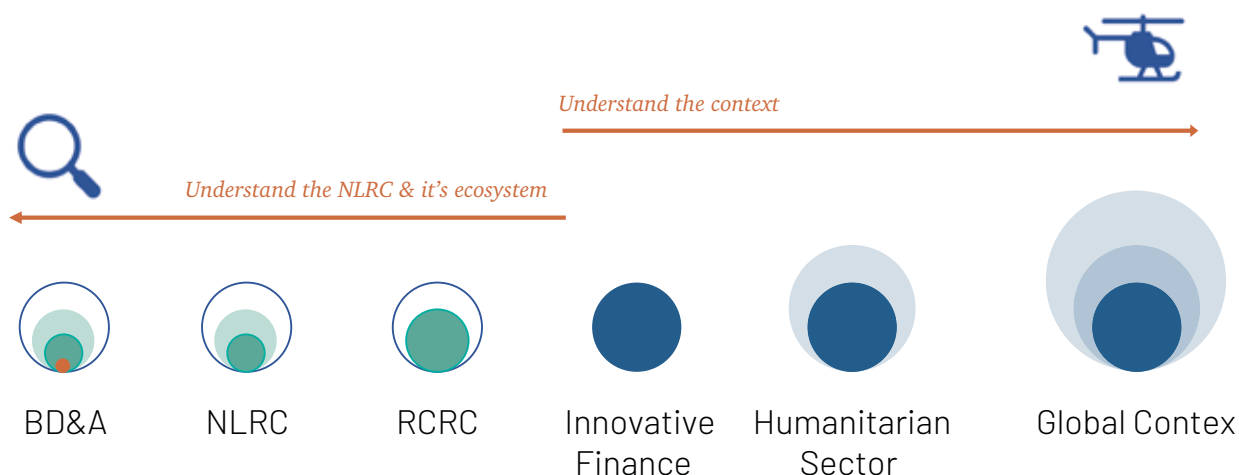
Figure 5: Wide and narrow scopes

My design process

The process started as any design-led project, exploring the internal and external context. Given the nature of the open brief, I followed a rather organic research approach, which lead me to a meandering path that slowly started to take form.

But as I moved forward I found myself lost. Partly because the communication was affected by the COVID-19 regulations, but mostly because I lacked a framework that helped me make sense of my findings.

I realized midway that systemic & transition design was a better fitted approach for the problem I was attempting to understand. So I incorporated some tools that allowed me to frame the problem and design goals for this project.

Finally, the solution space becalm clear and a path towards the outcome was possible.

COVID-19

This is so exciting!

Brief

MIDETERM

Is this supposed to be so difficult?
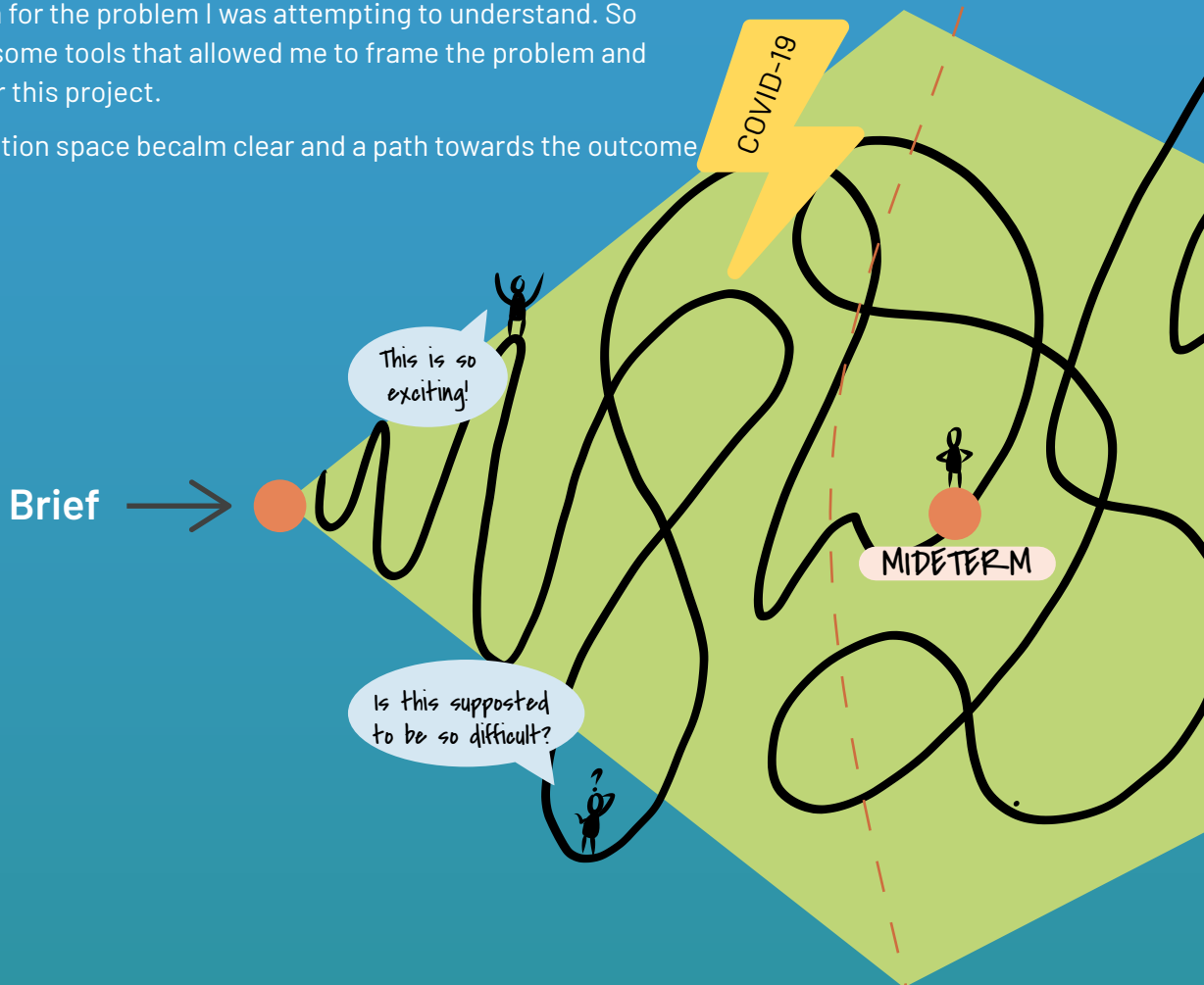
Tools & methods

Ethnographic research
Semi-structured Interviews
Literatuer & Desk reserach

Outcome

Holistic understanding of the problem space

Research

A personal touch

During my studies at TU Delft I've learned faster than I ever imagined and I've acquired knowledge and analytical skills that I ambitioned. However, I believe that there are some more elusive skills that I still need to, if not master, at least improve:

1. The art of storytelling
2. Using empathy to drive my project and help me connect with people
3. Communication through different types of media
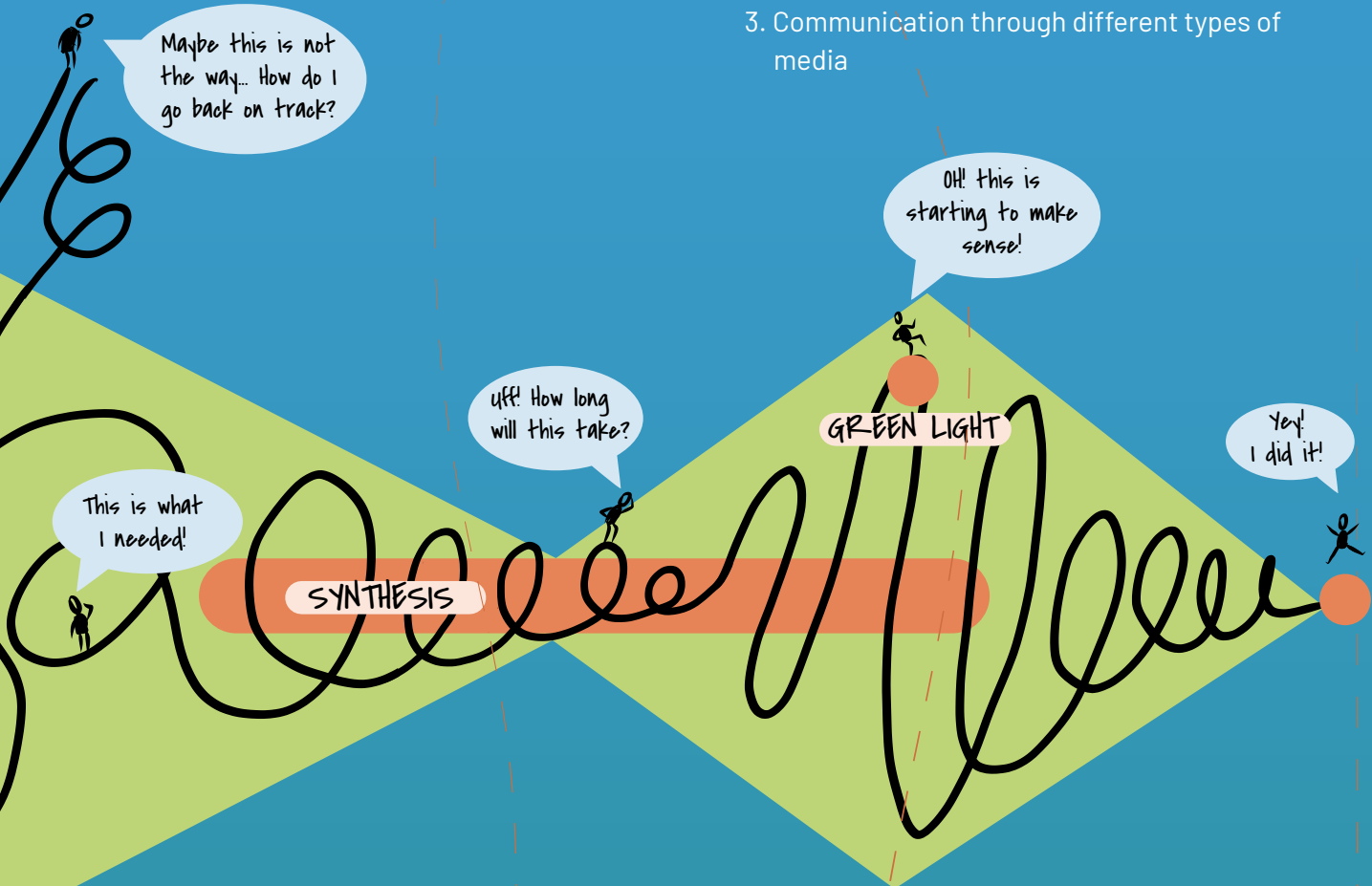
Thematic clustering
Stakeholder mapping,
Multi-level perspective map,
Diagrams, diagrams, and
more diagrams

Problem framing and
Design challenge

Sensemaking

Btrainstorming
Concept ranking with
user. Sketching,
sketching, sand more
aketching

Direction: Wall-poster
concept

Ideation

Test of Draft with users
Iteration of concept
Detailing & drawing more

Final wall-poser design
Report

Prototyping

B. RESEARCH & ANALYSIS

This chapter is a collection of insights from literature and field research, spreading over a wide range of topics. The first section encompasses my analysis of the context of the humanitarian sector, later I dive into Innovative finance and some study cases, and I finalize with the organizational analysis I realized. This process was not linear, and many methods were combined to arrive finally to relevant findings that defined the design direction.

B.1 The humanitarian Landscape

Figure 6: Humanitarian Aid ‖ Author: Satuk Bugra Kutlugun, retrieved from https://www.aa.com.tr/

Embedded in complex global problems, in order to understand Innovative Finance and the role the Netherlands Red Cross can play, it was important to take a broad perspective of the landscape.

Being vigilant of potential risks and global events is not a novel concept for the humanitarian sector. The NLRC International Assistance Department (IA) addresses many global conflicts and challenges, therefore, it's not surprising part of their job is precisely to follow the environmental, political, economic and societal developments of the countries that they offer aid to.

However, it is undeniable that the speed of the changes in all areas of life are accelerating; social norms actively challenged, technology we thought impossible; even new types of businesses, organizations, and institutions are emerging. All these rapid changes present a

complex and unpredictable future.

Unlike war or floods, this presents a novel challenge to many humanitarian organizations and close stakeholders. At the same time, if organizations prepare for the change, it proposes an opportunity to broaden and evolve humanitarian impact (Kirshbaum & Gonsalves, 2019).

> *"The idea that the world can change in an instant¸ and that it is difficult and sometimes impossible to be prepared for that change is a founding assumption of the humanitarian sector."*
>
> (Kirshbaum & Gonsalves, 2019)

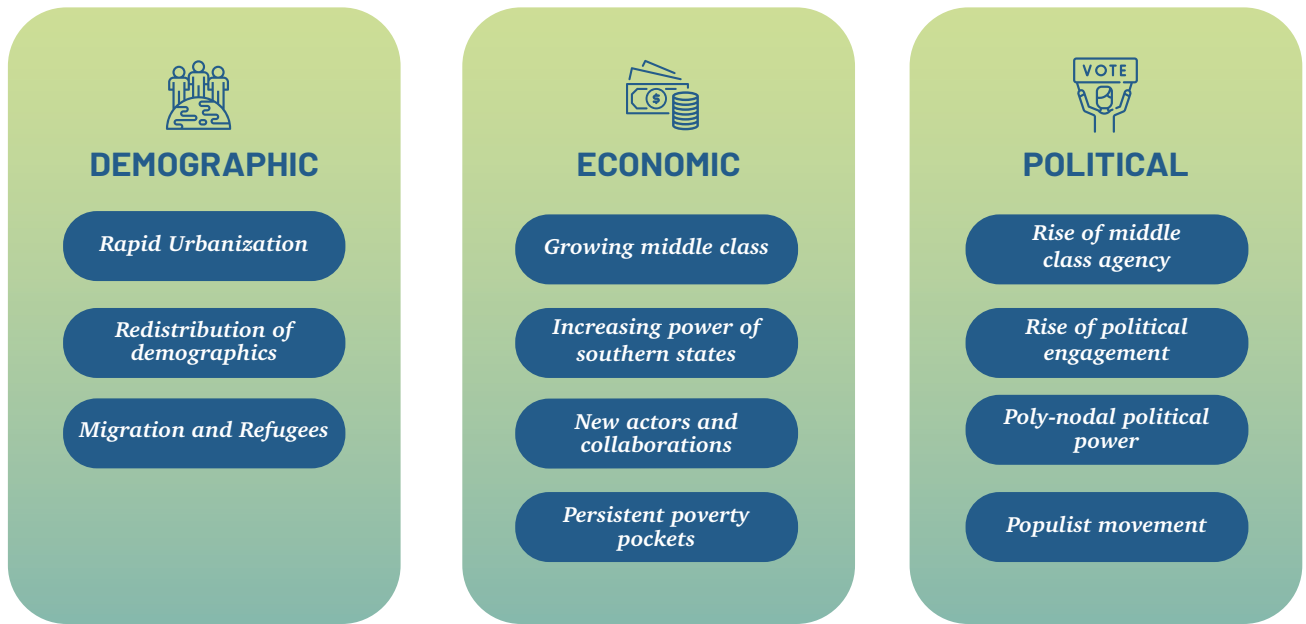| DEMOGRAPHIC	ECONOMIC	POLITICAL
Rapid Urbanization	*Growing middle class*	*Rise of middle class agency*
Redistribution of demographics	*Increasing power of southern states*	*Rise of political engagement*
Migration and Refugees	*New actors and collaborations*	*Poly-nodal political power*
	Persistent poverty pockets	*Populist movement*

Figure 7: Visual of DEPEST context factor analysis. Descriptions are available in Appendix F.1

B.1.1 Method

My goal in this research phase was to perform a context factor analysis (Hekkert, P., & Van Dijk, M. 2011). Because there are so many quality works already performed by a plurality of organizations, my research mainly consisted on reviewing these reports, identifying patterns, and synthesizing the findings in a way that best serves the purpose of this project. This analysis was made with an "innovative finance" lens, trying to identify not only the overarching global developments, but more specifically the ones that influence financial mechanisms.

Later, using the DEPEST framework, I categorized some of the most relevant factors for the Humanitarian sector (See Figure 7). While doing this, it became evident that they affect each other, which made it difficult to label them.

This context analysis allowed me to see the broader picture. But the main purpose was to identify the major pressures that are pushing organizations to change to avoid becoming irrelevant. My analysis concluded in five overarching change drivers that are and will continue to influence the humanitarian

landscape. In the following paragraphs I describe each of them, explaining the related developments and how they affect humanitarian organizations such as the NLRC.

B.1.2 Five Change Drivers + COVID 19

Complex system behaviour

Not surprisingly, the most important aspect that emerged is a complex system behaviour of the elements and connections. Every trend is embedded in complex social, economic or political systems where processes are not linear, feedback loops are interconnected, and movements and connections are simply unpredictable. Furthermore, the new technologies have acted as multipliers of many of these trends, the increased connectivity accelerates everything (Kirshbaum & Gonsalves, 2019).

This requires intervention to be local because "similar interventions in different places and at different times will have different results" (Green, 2015). At the same time, programme design and delivery must have a longer-term

ECOLOGICAL	SOCIETAL	TECHNOLOGICAL
Resource scarcity	Changing gender & family norms	Divergent use of technology
Multifaceted effects of climate change	Changing perception of value & success	Development bolsterd by communication tech.
"One world" action	Multidimensional inequality	Big data driving choices
	Social conflicts	
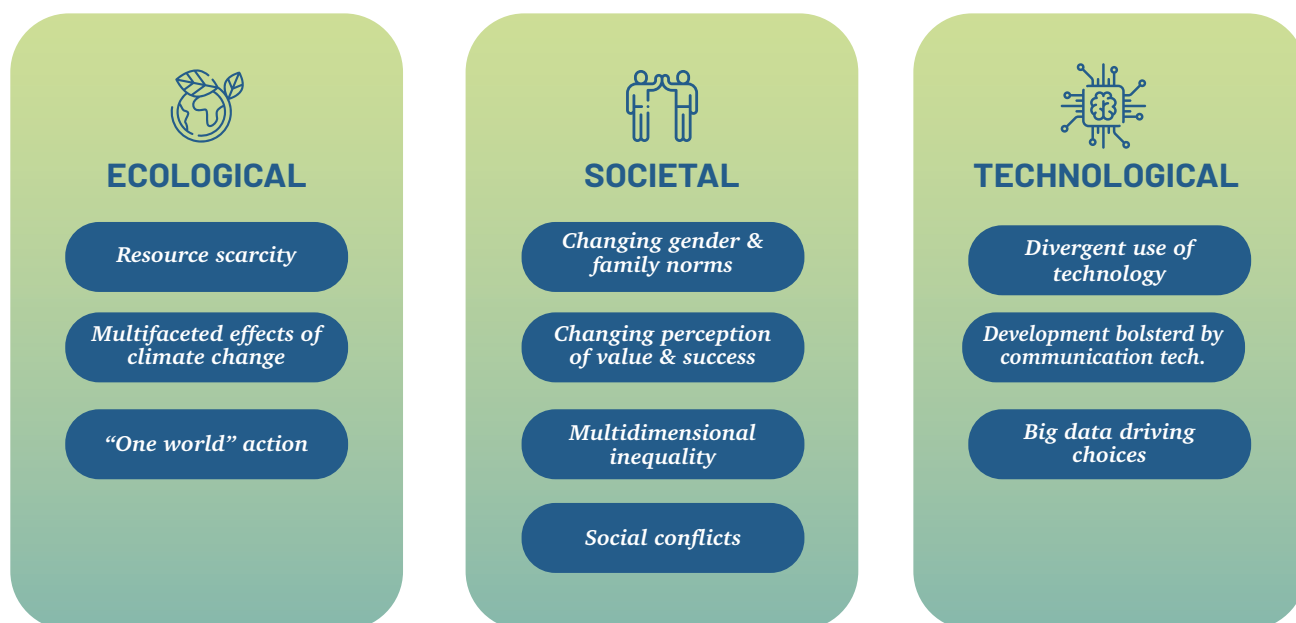
perspective, but the funding structures and cycles make it extremely difficult to plan operations for more than a couple of years ahead (Kirshbaum & Gonsalves, 2019).

Similarly, aiming to decrease vulnerability of communities and increase their resilience to these unpredictable environment will require a different approach than other activities, like disaster relief, require (Jones, 2017).

Blurry frontiers

With this complex system behaviour where everything interconnects and influences each other, the defined limits are fading away.

For example, with migration and the refugee crisis, previously clear differentiations between north and south states are diluting, producing 'South in the North' pockets of marginalization and exclusion, as well as 'North in the South' islands of extreme privilege (Green, 2015). Straight cut frontiers are also becoming less relevant, especially when tackling climate change problems where a 'One world' action is gaining momentum.

But not all blurry frontiers are geographical; the differentiation between humanitarian and development action is slowly finding middle grounds. A 'New way of working' is emerging as a response to addressing humanitarian needs with a long-term perspective. Actors from both sectors have 'identified the need to strengthen the humanitarian-development nexus and to overcome long-standing attitudinal, institutional, and funding obstacles'(OCHA 2017)

Even polarized concepts such as gender, work , or public and private are becoming fluid (Francis & Hoefel, 2018), challenging traditional perceptions and provoking tensions.

Reshaping of values and what is valuable

Society has finally realized that the performance indicators that have guided decision-making for the past decades no longer makes sense. The failure of civilization to 'keep us safe' has made us question the things we value. GDP is no longer an indicator of a country's success, because the social definition of success is no longer about money, but about life quality and happiness. There has also been a claim for transparency and responsibility, enabled by the availability

Figure 8: Girl's education, retreived from https://www.brookings.edu/

of data, which has forced companies and organizations of all kinds to rethink their processes and offering. And the so called "renewable resources" have proven not to be so renewable, water is now scarce, forcing society to re-evaluate the things we value the most (Institute for Security Studies ESPAS, 2015).

As organizations, markets, social movements, and everything in our world is run by people, these new values will slowly permeate the structures and impact the way we do things. Even the role of humanitarian workers is being reshaped, from in field workers to thinkers and enablers (interviews)

New actors & collaborations

The economic growth, the political engagement, and the changes in perspectives have led to many new actors and unexpected types of collaborations in all levels of society. For example, last decade's focus on girl's education and the growing role of women in the workforce has led to a rise in women's political engagement. Similarly, the growing middle class in many countries has found a new economic and political power. (Green, 2015).

At a bigger scale, the shifting economic power to the east and south has brought new nations into important global conversations and negotiations. In the aid sector, we've already seen recipient countries like China and India move to become aid donors in a short space of time. And in Africa, South-to-South cooperation, rather than North-to-South cooperation, is increasing in scale and emphasis, and may quickly become the norm. With this expansion, new actors are entering the humanitarian and developmental arena; for example, The New Development Bank and the Asian Infrastructure Investment Bank (PwC, 2014).

With the new alliances and the entry of new actor to the humanitarian sphere, traditional donors and INGs will need to re-evaluate the way aid is prioritized, funded, and delivered. (PwC, 2014).

Reshaping of power structures

As the distribution of economic and political power changes, so does the nature of power itself. It will no longer be defined by classic measures nor will it be held only by traditional structures like states, but also by communities, companies, and regions. We are moving towards a poly-nodal structure, emphasizing the importance of creating strong relationships and alliances between countries and organizations. (PwC, 2014).

Social media and digital networks are gaining a never seen power, accelerated by the COVID-19 outbreak. The power of people's opinion and the influence social movements have will need to be considered by big organizations.

Effects of COVID-19

An unexpected turn at the beginning of this year forced every organization and individual to make use of their resilience capacity and quickly adapt to a world being reshaped by the Covid-19 outbreak.

The effects of this pandemic are complex and mix terrible consequences with beneficial changes. On one side, "those is poor areas, with less reserves and access to clean water or good healthcare are much more vulnerable to the virus. This enlarged the poverty gap. Also many reports that violence, including sexual and gender based violence has increased a lot." (Docters K., 2020).

Fortunately, not all effects are dire. This crisis pushed organizations to innovate for example, accelerating digitalization to continue working remotely ; and has shown the importance of technology in areas like geospatial data

> *"In the future, the power of an individual, organization or country will be determined by its relational influence."*
>
> Florence Gaub, Deputy Director of the European Union Institute for Security Studies (ESPAS, 2019)

and fintech (Otsuka, Repond, Wheeler, & Asmolova, 2020). Additionally, at the front of the battle against this virus, the Red Cross gained visibility for their work, and the health measures that interrupted the travel of aid workers empowered local National Societies (Docters K., 2020).

Even though the above-mentioned global developments will continue, the speed an shape they take will be highly influenced by the social, technological, and economical effects of the Covid-19 outbreak. The full effects are yet to be discovered, but this distressing crisis has exposed serious problems of our systems and demands a different paradigm for understanding the global challenges (Oldekop

Believe it or not this is now the best path forward

Figure 9: Author: Kendra Allenby (IFRC and Solferino Academy Cartoon Collections, 2020)

"

Supporters used to be happy with standing orders to a trusted international NGO and the odd letter to an MP. Now they want to see where their money goes and engage on their own terms.

Donors wanted international NGOs to deliver agreed projects. Now they don't care who delivers as long as they can demonstrate value for money and quantifiable results.

Local NGOs wanted the funding that was available through international NGOs. Now they want direct access to funds and greater control.

National governments wanted to encourage aid and service providers through NGOs. Now they don't want foreign meddlers and are happy with no-strings Chinese assistance.

The private sector wanted CSR [corporate social responsibility] and publicity. Now it wants partnership or the chance to win the donor contract."

"

– James Whitehead
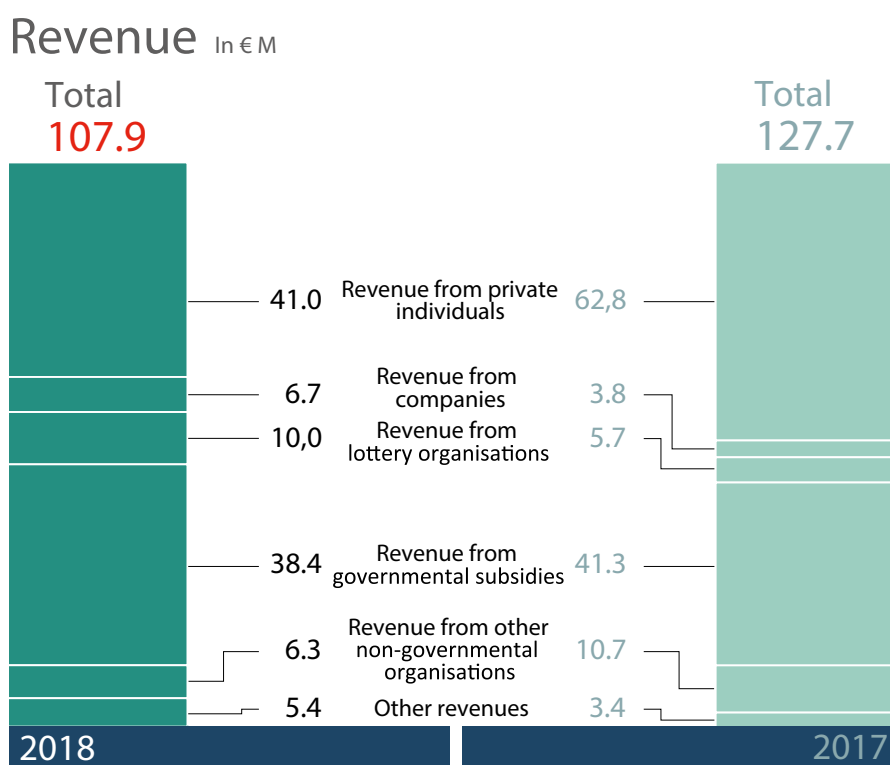Oxfam Global Innovation Adviser,

Revenue In € M

Figure 10: NLRC revenue on 2017 compared to 2018 ‖ Source: The Netherlands Red Cross Annual Report 2018

B.1.3 Pressures on the humanitarian sector

The way the world is changing has brought many pressures to the whole humanitarian and developmental sector. Many trends are challenging the status quo of governments, institutions and organizations worldwide; making change imperative to stay relevant. The current way of working and many mechanisms and processes have proven obsolete and not fit to tackle the shifting and increasing needs (Green, 2015; IFRC, 2019; World Economic Forum, 2019)

Despite the organizations' efforts to adapt by improving programme delivery and incorporating new approaches, it has been challenging due to the many contradicting pressures.

For example, the expectations of traditional donors are changing, increasingly demanding

tangible results and focusing on 'value for money' (Green, 2015). At the same time, new donors are placing less emphasis on conditionality, accountability and transparency. (PwC, 2014)

Similarly, the sudden context changes require fast response, but tracking and measuring slows down the process. And new actors with different interest are joining the arena causing tension; it seems private interests are incompatible with humanitarian aid.

Changes have also translated into funding difficulties. In the past years few years, the income of many INGs has not only stopped growing but started to decline; including the NLRC's. On top of that, the market is saturated and many INGO's are competing with each other to win grants from the same donors. The dependency on institutional/contract funding for a large part of their income puts them in a dangerous position source. (Tallack, 2020).

No, no, this money is only for that <u>one</u> problem, right there.

Figure 11: Author: Kendra Allenby (IFRC and Solferino Academy Cartoon Collections, 2020)

Added to this difficulties, the economic and social impact that the COVID pandemic will have is still unpredictable, and one extra thing that organizations need to consider.

So how to find the way amidst all these pressures? No wonder the biggest organizations are undergoing processes of reinvention, trying to cope with this unprecedented complexity(Green, 2015). But it has also triggered a sense of urgency and a growing motivation to find better ways of tackling the challenges.

B.1.4 Call for new Financing models

Some have pointed out that the humanitarian sector's funding structures and cycles make it extremely difficult for organizations to adapt their approach. For example, donors ask INGs to plan operations within the constraints of specific projects and funding sources, implicitly forcing them to focus on the near future and the traditional funding structures (Kirshbaum & Gonsalves, 2019).

Despite the unrest, plenty of people and organizations have found their way through this tangled reality. Most of the early financial innovations have come from start-up NGOs rather than the established players (Green, 2015). One example of this is the GiveDirectly charity, which has built up an $18m turnover in just three years by putting 91 cents of every donated dollar directly onto the SIM card of a Kenyan living in poverty (GiveDirectly. com). Avaaz offers a similar example of disruptive innovation in online campaigning. The passionate community of 'practical idealists' that drive many of the Avaaz campaigns have provided millions in funding, demonstrating the capacity for a crowd to fund their own international political voice. It is now considered one of the most powerful campaigning networks in the world, working in 15 languages on six continents. (Nesta.com)

Even companies completely unrelated to humanitarian aid are becoming important players. In 2018 The Breast Cancer Research Foundation received an unprecedented $12.7

million donation from Blizzard Entertainment, a video-games company. They raised this sum through a limited-edition character for best-selling game 'Overwatch' (along with a special T-shirt created to support the cause). The gaming community rallied around the fundraising effort, making it the largest donation by a corporate partner in one year in BCRF's 25-year history. (BCRF,2018)

However, most of the available examples of successful projects have been developed by startups, small NGOS, or new players that moved into the humanitarian and development arena (Green, 2015). What this tells us is that they have certain qualities that allow them to better respond to the context pressures, which have not yet been adopted by the traditional players. On the other hand, the recent economic effects of the COVID-19 pandemic have strained small NGOs, putting their existence at risk and possible forcing them to merge with bigger organizations.

All this leaves the humanitarian sector with a *big challenge: develop, test, and implement new financing models t*hat will reshape their funding structures and allow access to untapped sources of funding, in order to continue fulfilling their mission.

B.2 Innovative Finance

In this seccion I present an introduction to the topic followed by an overview of several publications on I the findings of the cases study. Finally, I present my interpretation of the key variables of funding models.

B.2.1 Introduction

People, governments, and organizations are tired of observing how efforts fail to have the desired impact over and over; as Levenson and Madsbjerg (2016) put it: "When it comes to funding, there (has been) too little, too late". This has resulted in an increasing awareness and acceptance that the current way of doing things is not working. Several ING's, including the IFRC, are developing new strategies to tackle these concerns; *Innovative Finance is one path for addressing these concerns* (IFRC, 2019).

Innovation in the funding and financing models of humanitarian efforts has been happening for a while. Just to give some examples, microfinance was developed in the 1970's with the intention of providing opportunities for poor people that didn't have access to basic financial services. (Kota I., 2007). Soon after, some innovations that have gained a lot of popularity include performance-based contracting, conditional-cash transfers, Sukuks, and the now wide-spread crowdfunding (See Timeline in page 62).

Since 2000, when social entrepreneurship became a trend and the concern for the effects of climate change truly became a global effort, many innovations have appeared. Some of them pushed forward by very big and

powerful organizations such as the Rockefeller institute with the first Social Impact Bond (SIB) in 2010 (Liang, Mansberger, Spieler, Liang, & Mansberger, 2014). Others emerged from small initiatives thanks to the new digital technologies.

Innovative Finance for Development (IF4D)
Any instrument beyond a traditional grant that mobilizes new capital and/ or improves the efficiency or effectiveness of existing capital to tackle social and environmental problems.
(Sarkisova & Perakis, 2018)

Humanitarian investment (HumIn)
Capital invested in ways that measurably benefit people and communities in contexts of displacement and fragility, conflict and violence , while creating a financial return.
(World Economic Forum, 2019)

The term "innovative finance for development" was first mentioned at the United Nations International Conference on Financing for Development, on the Monterrey Consensus in 2002 (OECD, 2015). Since then there have been many conversations about what they are and what they can do.

However, a unified definition is still missing; specially because it entails an agreement on what is innovation or innovative when referring to finance (Atun, Knaul, Akachi, & Frenk, 2012). In fact, there are several concepts that refer to similar groups of instruments.

For example, 'blended finance' which refers specifically to those innovative financial mechanisms that aim to involve the private sector; or bonds, that are a subset of instruments which include traditional bonds, impact bonds, performance-based bonds, etc (OECD, 2015). The most recent term is 'humanitarian investing', created to emphasize humanitarian action and with the aim of attracting private actors. (World Economic Forum, 2019) Another term that appears in literature is "Innovative Financing (or funding) model". This term, similar to "business model", refers to the abstract representation of a real-world situation; in this case it describes the rational of how an organization acquires and uses money.

Blended Finance
Blended Finance is the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets (OECD, 2016).

Innovative financing model (IFM)
It describes the rationale of how an organization acquires and uses money. (Personal, derived definition)

Different terms, same intension

BD&A Member 01
Feb. 21, 2020

Topics: One Wash Fund, advantages and challenges; the role of the NLRC.

Innovative Finance MOFA Advisor
May 26, 2020

Topics: Innovative finance definition, goals, enableres, and challenges. Role of MOFA & NLRC.

Feb.   March   April   May

Roel Blesgraaf, BD&A WASH Advisor
March 20, 2020

Topics: One Wash fund, challenges, what works and what could be improved.

GIFT Member
May 28, 2020

Topics: Definition, potential, donors' and investors' motivations, enabelers and barriers.

BD&A Member 04
March 20, 2020

Topics: Forcast based Funding Project, what worked and what could be improved.

Figure 12: Timeline of Interviews regarding Innovative Finance

B.2.2 Method

Being no expert in finance, I initially focused my research in understanding the overarching goals and benefits of innovative finance instruments and what they can bring to the NLRC ecosystem through publications and papers from different sources.

Once I got the grasp of the generalities, I chose from the array of initiatives and projects that have been kickstarted within the RCRC (see figure xx), three which where the most representative or had a close relationship the NLRC to do a more in depth case study.

The first one had to be the Humanitarian Impact Bond, initiated in 2015. This is the first bond translated into the humanitarian sphere, which symbolizes the commitment of the RCRC to start exploring innovative ways of tackling the financial gap. The other two Innovative models are the Forecast based Funding initiative and the One Wash Fund, both of which the NLRC takes an important role.

B.2.3 Financing Models

Trying not to go into too much detail, I wanted to understand what makes one model more fitted for a specific situation than another one. What I found was that many people are trying to answer this question and... it's kind of complicated to answer. It would be nice to have a formula or a 'cheat sheet' which, after answering a few questions, told you the best fitted financial model for your problem and type of organization. However, of course, it's not that simple.

There are probably dozens of different models that fall into the "Innovative Finance" definition. Each report, conference, or paper categorizes them in different ways: by objective, approach, features, etc. (WEF & OECD, 2015; World Bank, 2009; GIFT, n.d.). Each categorization is useful in different situations. InterActive's categorization (Sarkisova & Perakis, 2018) is simple and serves as a good starting point to understand the different models and the goals that they aim to fulfil.

Their premiss is that any of the instruments

Innovation Finance Toolbox

CROWD IN PRIVATE SECTOR	IMPROVE EFFICIENCIES	RAISE ADDITIONAL FUNDS
• Microfinance Investment Funds • Impact Investment Funds • Direct equity • Concessional loans • Guarantees • Catalytic Grants • Bonds	• Performance-based contracts • Impact Bonds (SIBs/DIBs) • Debt-swaps/Buy-downs • Conditional Cash Transfers • Awards and Prizes • Advance Market Commitments • Insurance Schemes	• Innovative taxes • Crowdfunding • Voluntary Contributions

Note: DIB = development impact bond; SIB = social impact bond.

Figure 13: InterActive's Categorization, taken from the report 'Innovative Finance for Development' (2018)

has at least one of three aims. And that depending on their goals, an organization can find some instruments more useful than others (See figure 13).

Another useful categorization was provided by HGP (Willitts-King et al., 2019), classifying the instruments by the humanitarian and development challenges where offer the most value (See figure 14).

This categorization refers to broader and richer goals. For example, 'Funding arrives too late' refers to a timing problem; where 'lack

of economic opportunities' poses a context readiness problem.

What this categorizations reveal is that the first step for selecting (or developing) a model is to clarify the motivation for using them in the first place by framing the problem. This way, innovative finance becomes another tool for improving aid delivery which could be employed together with other solutions.

But these categorizations fail to guide organizations towards decision-making based on their resources and capabilities. Many questions are still unanswered: Which of these instruments are easier to adopt? What capabilities does an organization require to implement them? Which stakeholders need to be involved for an effective implementation?

Five key variables:

A problem with funding/financing models is that they are not easily understood by people that are not familiarized with the topic. The terms used to talk about them are daunting and excludes people from conversations.

From analysing several funding and financial instruments, I identified some elements that change between them to create the different models. Based on how business models are developed, I developed four key variables. The

Table 2: Existing challenges and the financial instruments that could be used

Challenge	Possible financial instruments
Not enough funding	Blended finance, equity investments
Funding arrives too late	Disaster risk insurance, displacement insurance
Inefficient funding	Impact bonds
Short-term solutions	Renewable investments
Development costs are too high	Advanced market commitments
Lack of economic opportunities	Job creation, microfinance, incubators

Figure 14: HPG's Categorization, taken from the report 'New financing partnerships for humanitarian impact' (2019)

Who: Actors   **What:** Currency   **When:** Timing   **How:** Flow

Figure 15: Four key variables of financing models

first two contained fixed elements that can be played around with. The last two are only broad definitions, precisely, to leave space for interpretation and creativity.

1. Actors / Roles

Some instruments make emphasize on crowding in actors that are normally not involved in humanitarian aid. For example, all of the instruments from blended finance aim to attract actors from the private sector. However, there is a bigger range of actors that play an important role in the IFMs. InterActive's report extracted the following:

- Donor
- Investor
- Recipient / Implementer
- Intermediary
- Evaluator
- Technical assistance provider
- Advocate /Convener

Not all of these roles are essential for all instruments, but it's important to know that each organization can play one or more of these roles and become an important part of the innovation.

2. Currency

Of course, the most relevant resource in IFMs is money, but there are other types of resources that can be important to have in mind. Additionally, the size is also a variable that can lead to very different results; take microfinancing versus government grants.

- Money
- Information (Technical Expertise)
- Work force
- Voice (Access to network?)

None of these are resources that the NLRC is not familiarized with, every programme they deliver involves all of them and they are even developing the 2030 Strategy around technical expertise. However, I decided to make them explicit to incentive creative thinking.

3. Timing

Something I realized from reading the reports that describe the different innovative funding models is that on paper they look static. There are arrows that mark the flow, but there is an essential element that completely changes a model that is not represented, and that is the timing. From systems theory, we also see that this is a crucial element (Meadows, 2009, that can make or break any system.

Some of the most innovative models of recent years address timing problems, such as forecast based funding. However, even when its importance is not explicit, this is a very relevant factor.

4. Flow

This refers to the way transactions are made. Same as a river flow, resource follows through a specific channel (for example, social media donations, block-chain direct cash donations) and in a specific direction (from donor to beneficiary). It can be directly from one point to the other, or it can have detours.

This is a very important variable to understand because it dictates the nature of the resources' movement.

Potential

Apart from explaining the different financial instruments, these reports also communicate the potential benefits of engaging in Innovative Finance, for organizations and for the final beneficiary.

The most mentioned and the main reason actors are interested is additional funding, however it is a common misunderstanding that this is the main purpose of these innovative financing models. "The true potential of innovative finance is in it's ability to change incentive structures, improve program delivery, and provide new solutions to development changes" (Sarkisova & Perakis, 2018)

If the purpose is to close the gap, there are different ways to address this problem. Of course, the most obvious is to increase the capital spent, but there are many opportunities for improvement in the way money is spent, in program implementation, transaction costs, etc. And many more in leveraging new technologies & networks resources.

As humanitarian goals evolve to a long-term perspective, so will financing instruments. Additionally, exploring financial solutions could be the trigger for innovating in other areas and finding alternatives to current way of doing things.

Risks

Something that the NLRC is specifically interested in are the risks of engaging in these new models. Throughout the different

Model	Risk
Advanced Market Commitments	Uncertain market demand
Conditional Cash Transfers	Risk of unintended consequences
Impact bonds	Price per outcome inadequately priced
Bonds	Changes in foreign market regulations concerning capital

Figure 16: Example of Risks extracted from 'Innovative Finance for Development' (2018)

reports, I found two types of risks: those risks that specifically affect an organization implementing the models, and broader risks that have an effect on the impact of the aid provided or the system.

Organizational risks

In the reports, the descriptions of risks for organizations are always tied to a certain financial instrument (Sarkisova & Perakis, 2018). However, they all refer to type of risks inherent to a nascent technology being implemented in an uncertain context.

Many risks are related to the design or implementation of the instrument: Uncertainty of results, mistakes in measurement or valuation, risk of assets being tied up, unintended consequences, etc.

Another important source of risks is the context they target, which could lead to failure due to political shifts, governmental capacity, or market stability. These changes are very unpredictable, causing anxiety and hesitation for investors and other stakeholders. Finally, given the new interactions between actors, some risks refer to the complexity of stakeholder management and possible misfit of interests.

"The true potential of innovative finance is in it's ability to change incentive structures, improve program delivery, and provide new solutions to development changes"

(Sarkisova & Perakis, 2018)

The one risk that is not related the design, implementation, or new stakeholders and highly impacts the humanitarian organizations is **"Mission drift"**, referring to the risk of compromising your core values for financial gain.

Impact risks

The other type of risks that were mentioned in literature referred to big scale problems that could be caused by pursuing innovative finance.

As recent studies show, at the moment, most blended investments have been targeted to Uper Middle- and Mid-income countries (UMIC and LMIC), and that Low-income countries (LIC) are less likely to be benefited by these new funding models. This could mean that 'private commercial finance will not flow freely to countries where the investment climate is challenging, markets are not functioning and the risk-adjusted rate of return is uncompetitive (Attridge & Engen, 2019), risking to leave the poorest countries behind.

There has also been criticism that the design and implementation of these new models has required a lot of investment from INGs and donors, questioning whether the benefits outweigh the cost. (Liang, Mansberger, Spieler, Liang, & Mansberger, 2014)

Another important difficulty has been the metrics required to determine the success of these financing models. In the past years, donors are increasingly interested in results-based financing aiming to encourage better assistance delivery. However, as Duncan Green Senior Strategic Advisor for OXFAM warns us:

> *"In practice, [...] measuring results and value for money in complex systems is much more difficult and expensive than counting bed nets and vaccines. The risk is that such practicalities will skew development actors towards counting what can be counted rather than counting what counts." (Green, 2015)*

Risk mitigation techniques

Some risks can reduced by learning how to design better financial models for these situations, but others are more difficult to mitigate because of the challenging context they target. Some mitigation techniques

Figure 1   Comparison of ODA and blended finance (per capita and per person living in poverty)
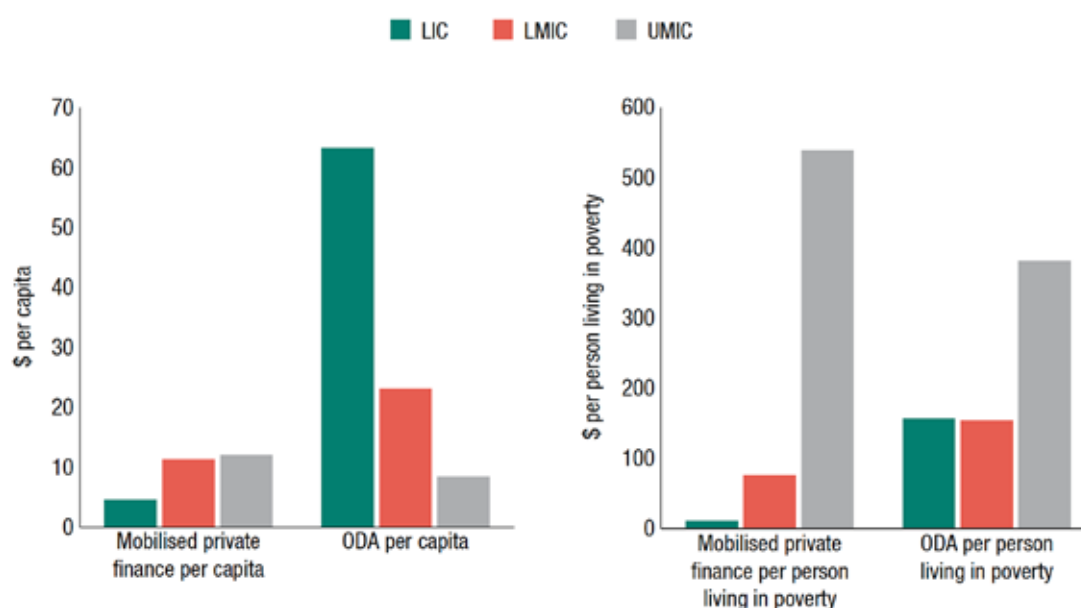
Figure 17: Comparison of ODA and blended finance, taken from Blended finance in the poorest countries' (Attridge et.al. 2019)

mentioned include developing hybrid models, where governments take the majority of the risks, making it more attractive for risk-averse investors to get involved. A similar option is that governments or philanthropic donors provide a guarantee fund in case investments need to be replayed (Liang et al., 2014).

There is a lot of space for innovation in this area, addressing the specific risks investors and organizations face. The challenge is to have a multi-user approach, to design financial models that not only have the final beneficiary in mind, but focus also on other the expectations and benefits of other model users (investors, donors, implementers, etc).

Recommendations from literature

Every report provided a list of recommendations, some of them tailored to a specific organization, others considered different perspectives. All the recommendations point to the same key recommendations:

1. Appoint an IF4D officer or team

2. Develop a strategy and roadmap

3. Dedicate resources, but smartly

4. Collaborate with specialized external partners (legal and financial experts)

5. Be willing to take risks, fail fast and learn from mistakes

6. Make transparency and shared learning a priority

7. Develop & share tools, frameworks, deal templates, terms templates, etc.

Although recommendations are abundant, many actors are still hesitant towards engaging in innovative finance. (GIFT member, July 2020)

B.3 Case Studies

This section contains the results of the analysis of three recent innovative financing models within the RCRC movement, starting with a brief explanation of how they work, and exploring how they were created and implemented to extract lessons.

Looking to take advantage of the experience within the Movement, I dived deeper into three Innovative Finance projects and initiatives. Additionally, to understanding these models and how they work; I was mostly interested in the experiences of building them and collect some learning points that can be used by the NLRC in later projects.

From the available cases being developed and implemented within the RCRC, I chose three cases taking three considerations into account:

- Those that represented a range of stages
- Those that had the most innovative relevance
- Those that were closer to the NLRC ecosystem

With this in mind, I chose to study the Humanitarian Impact Bond, probably the most renowned case outside the RCRC; the One Wash Fund, were the NLRC is close to and is looking to become an implementer organization; and the Forecast based Financing, since it started in 2013 and has already been successfully implemented.

2.3.1 Humanitarian Impact Bond

Driven by the realization that in today's world "conflicts are no longer temporary interruptions in people's lives; but socio-economic catastrophes that inflict prolonged suffering" (Alderson, H., 2018), and with the antecedent in 2014 of the first Social Impact Bond, the ICRC ventured in 2015 to start the first Humanitarian Impact Bond.

There are two motivation behind this bond. The first one was to create a financial structure

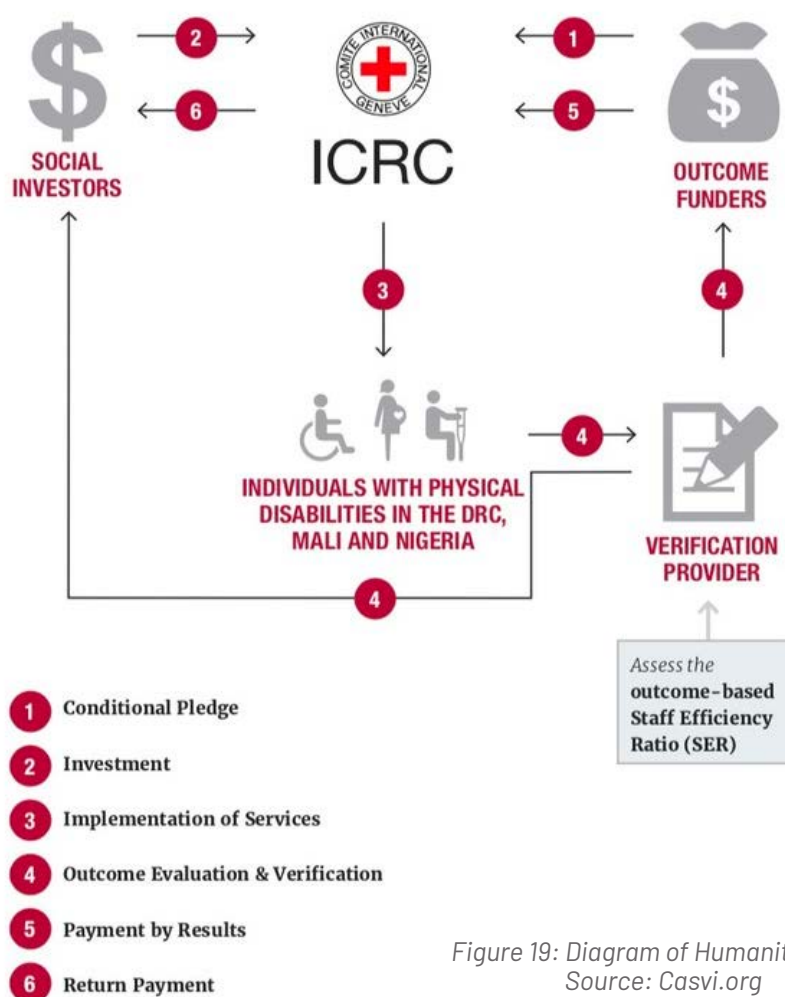|	Humanitarian Impact Bond	One Wash Fund	Forcast based Financing
Stage	Launched in 2018	In conversations for commitments	Implemented and under improvement processes.
Relation with the NLRC	The NLRC was not involved	Some members of the NLRC are technical advisors.	510 is an important partner of the model

Figure 18: Study cases comparative table.

1 Conditional Pledge

2 Investment

3 Implementation of Services

4 Outcome Evaluation & Verification

5 Payment by Results

6 Return Payment

Figure 19: Diagram of Humanitarian Impact Bond
Source: Casvi.org

that could provide a stable year-on-year funding so that aid can be consistent and with long-term goals. And the second one was to encourage humanitarian investment from the private sector and this way have access to previously unavailable sources of capital.

How it works:

It's formed by 4 actors: Investors ("social investors"), donors ("Outcome funders), the implementer, and an evaluator. The capital raised by the Humanitarian Impact Bond will be used to build

In essence, the social investors will provide the ICRC with capital for the next 5 years. The ICRC will use this consistent flow of capital to build three new physical rehabilitation centers in Nigeria, Mali and Democratic Republic of Congo – all of which have been hit hard by conflict. During this time, the ICRC will only provide

status update reports to the other actors, however, the final evaluation of the outcomes will only be performed after the 5 years agreed. Here, the evaluator will communicate the Outcome Funders (donors essentially) the results and based on a pre-agreed "price per results", they will pay the ICRC. Finally, the ICRC will repay the Investors their original investment with a small profit that depends on whether or not the results were achieved or even surpassed.

What is innovative?

Very similar to the SIB, the most innovative element of this model is the context it's meant for. Return on investment is not expected from humanitarian activities, however, this model defies that belief. Although small and risky, social investors could potentially earn a ROI after five years.

Discussion

Despite the advantages, this and similar financial models have had a lot of criticisms (Gustafsson-Wright, Boggild-Jones, Segell, & Durland, 2017; Liang et al., 2014). Among other things, they point out that the focus on results and a "value for money" mindset could hinder program development, discouraging innovative projects by prioritising on 'efficiency' and 'measurability' (Roche & Hewett, 2013).

It has also called for attention that it took 2.5 years to launch. Being a pilot, this was expected and the reasons are many. One of them was the unexpectedly complicated process of developing metrics to evaluate the success of the implementation, and get the different stakeholders to agree.

Another important difficulty was that the regulatory framework for donations did not allow governments to engage in this kind of models. Belgium's government had to adjust the regulations to allow them to become outcome funders, which took time and effort GIFT member, July 2020).

At the International Bond Conferences, Eprecht (2018), head of project, reflects on the design process and recommends that in future projects, the design process should not start with a solution or financial model in mind, but with a problem. Another very relevant

> ## *"We've built this thing the wrong way around"*
>
> Tobias Epprecht– Head of HIB Project, ICRC

comment is that he would collaborate with the investors and partners through the design, instead of first designing a product and then trying to convince partners to join (See figure 20).

In sum, it was a complex process among many stakeholders in a new context. It's still to early to know if it will work as planned, since the outcome funders will only pay after 5 years; but it surely opened the door for innovative finance within the humanitarian sector.

2.3.2 One Wash Fund

Having the HIB as a precedent, the IFRC and the Islamic Development Bank (ISB) are collaborating to develop the One Wash Fund to support the RCRC's WASH programs. This finance Instrument translated the HIB to the Islamic financial context and added the role of a guarantee to de-risk the investments. Although led by the IFRC, the NLRC has a closer relationship with program because WASH is one of their main expertise areas.

How the process went

```
"We want to use an        Select a problem       Develop the       Find investors
Impact bond"      →       to solve with it   →   programme     →
```

How they would do if they had to do it again

```
                          Invite investors as partners
                          and co-designers
Select a              ↗                              ↘    Develop the
problem to solve                                          programme        →
                      ↘   Select or develop a financing  ↗
                          model that fits the problem
```

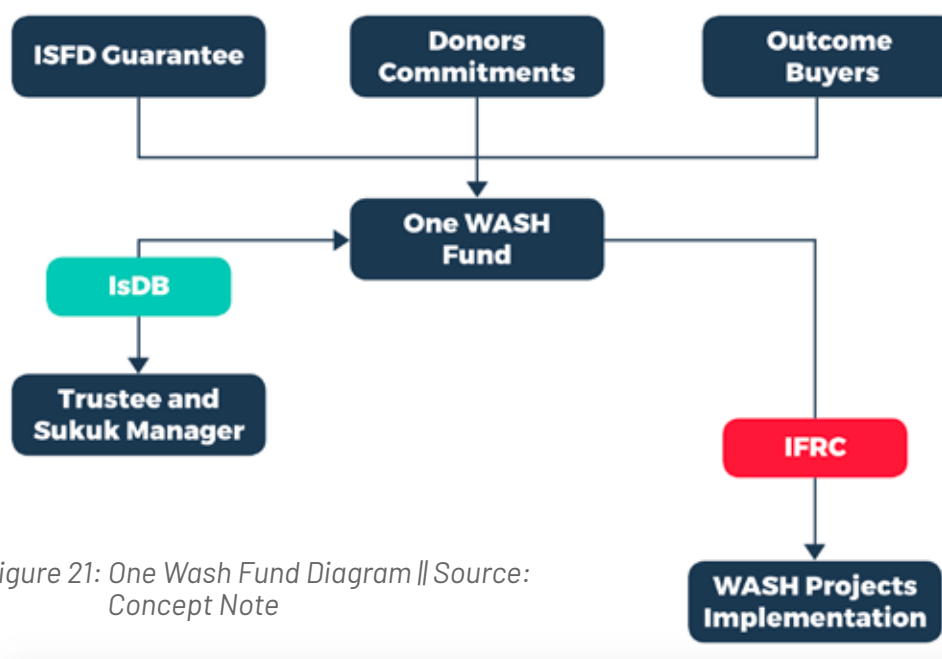*Figure 20: Actual process for development the HIB vs recommended process*

Figure 21: One Wash Fund Diagram ‖ Source: Concept Note

It seeks to unlock private capital and help further leverage public funding to mobilize various new sources of investment, while at the same time realigning interests of various partners and creating new investment opportunities.

> *"That's what I like about One-wash, it's really a Fund that combines different angles the Red Cross Movement to come up with a joint proposition" (Blesgraaft,R., April 2020)*

How it works:

Primarily, this is a Fund managed bye the IsBD which will provide financial resource to the IFRC to implement WASH projects. This Fund is fed with two different source, each of which has it's own relationship agreements

The 2 roles that supporters can take are:
1. Traditional Donor - Grants
2. Outcome Buyer - Commitments

This model uses Sukuks, an adaptation of conventional Bonds, also known as "Sharia compliant" bonds (Wikipedia, "Sukuk").The Islamic Solidarity Fund for Development (ISFD) will provide a partial guar¬antee facility mechanism (The ISFD Guarantee) to enable and facilitate the issuance of the Sukuk. The Sukuk will pay an expected return on a yearly basis. The Fund will have a lifespan of [10-12] years and the Sukuk will be redeemable by the Fund starting [from year 8] as the Fund receives released donations from the Outcome Funders. (One WASH Sukuk Concept note, 2019)

What is innovative?

Since this model is based on the HIB, the role of the actors and the typo of commitments they make are very similar. The most relevant innovations in this IFM is the additional role of a Guarantee, which has the goal of de-risking the investment for the Outcome buyers.

Another interesting element of how this model has been developed is the creation of a Mixed Team formed, an expert on WASH and an expert on Innovative Finance, in close collaboration with the Islamic Development Bank. This combination of expertise has allowed the IFRC to have effective conversations with all the different actors (donors, investors, and other entities) and tailor the narratives to their specific interests.

Currently, this team travels around the world to communicate and convince Traditional Donors, Outcome Donors, and investors to join the effort with commitments.

Discussion

I was able to interview two members of BD&A team that are close to this project, which revealed some advantages and areas of improvement.

For example, it has been difficult to convince Donors and Outcome buyers to take part of the model. They express their interest, but commitments fall short. Even though governments would have the advantage of saving the expenses of evaluating and auditing programmes every six months; they are still reluctant. Also, it was expected that the Grantee would significantly de-risk the model; however, interviewees suggest that the amount is insufficient (BD&A Member 01, March 2020). It was even mentioned that Donors prefer to give grants than the prospect of earning additional revenues (GIFT Member, July 2020).

It seems there are still a few challenges to overcome. The model is complex and difficult to understand. It has several levels of innovation at the same time: Sukuks, impact bond commitments, and the introduction of new actors. (BD&A Member 04, March 2020)

It was also mentioned that the collaboration between National Societies and IFRC has some frictions: There is internal competition for funds, as well as leadership in country, exacerbated by a lack of trust between NS. Additionally, the IFRC has two conflicting roles: as leader of the initiative and as executioner in countries, which caused confusion and misunderstandings. (BD&A Member 04, March 2020)

2.3.3 Forecast based Financing

FbF is trying to solve a fundamental problem Forecast based Financing

Forecast based Financing (FbF) is trying to solve a fundamental problem of the humanitarian world: that funding is, generally, only available once a disaster has happened.

The proposition was to create a Fund, that would release funds a few days before a disaster strike, leaving enough time to implement the 'early action protocol' and decrease the impact on communities and livelihoods. This fund, named Forecast-based Action, receives resources from private and public donors; who also finance the development of Early Action Protocols in high-risk countries.

The German Red Cross coordinates the development of FbF with the support of the Federal Foreign Office and important institutional partners. In recent years, the 510 initiative (which is under the NLRC), has taken an important role as technical assistants for developing the digital risk assessment (510, n.d)

How it works

The financing mechanism is the Forecaster-based Action fund that automatically allocates resources when a trigger is activated, which allows local NS to take early actions.

This trigger depends on specific threshold values that have been previously established, based on weather and climate forecasts, which are defined for each region. Once the data indicates that a disaster is about to strike

Early Action Protocol (EAP):

Figure 22: Forecast based Financing Diagram ‖Source: Forecast based Financing Broschuere 2019

and the funds are released; predetermined measures are initiated, which aim to minimise the impacts of extreme weather events and save as many lives as possible.

What is innovative?

Although the mechanism of the Fund is similar to traditional ones, the innovation lies on the automation of the release of funds based on data. Previous to this, funds could take a long time before arriving were they were needed, and more importantly, the preventable damages had already happened. With the innovation on timing, this model allows for more effective use of funds and more lives saved. But this model cannot function without the big innovations on data analysis and the development of digital tools.

Discussion

During the conversations with a member of the BD&A that has closely followed the implementation of an early action protocol, I saw several advantages of how this model has been designed and implemented. For example, clarity and understandability. This model has three clear technical elements, which are well covered by specialized human resources; and four clear stages of implementation that brings certainty and confidence through the process.

Also, stakeholders have spent time and effort on developing agreements for their roles; and moments and channels for coordination were established.

Of course, there are still many challenges; even though this model was launched in 2013. Some of them are technological and I will not discuss them here:

- Stakeholder engagement wasn't easy because of the newness of the model. People are used to certain behaviour. It required a lot of lobbying

- Keeping people on schedule, agreeing on the timing. That this is not only about the red cross, it is about the whole national government. We're still struggling a bit.

- Geographical location. Most project start by defining the geographical location they want to cover, but this project is a national scale approach, which means there Is no defined location, it will be based on the data and risk analysis.

B.3.1 Concussions

It's been around 20 years since the first explicit attempts for innovative financial models that aim to close the financial gap between needs and aid. There are now enough pilots and experiments to start extracting best practices and learn from each other. And it seems the interest in the topic will only grow in the coming years.

The challenge now is how to scale these small successes?

> *"There are several challenges currently preventing the humanitarian investing market from growing, such as the insufficient number of truly investable opportunities, the need for more awareness of new financing approaches, issues of collaboration among stakeholders, and the lack of organizational capacity among many actors in the space."(World Economic Forum, 2019)*

For INGOs in the humanitarian sector, challenges include lack the experience and expertise to develop and implement IFM. Also, have the disadvantage of ingrained traditional structures and processes which lead to limited adaptability. And they are surrounded by also traditional institutions and organizations that adapt very slowly to change. Additionally, there is still little awareness on the topic, and a limited access to tools and frameworks that facilitate the process.

The RCRC and the NLRC have a few assets that they can leverage. As strong players in the sector, their leadership and reputation can be leveraged to earn trust of other actors. They also have a solid network that grants them access like no other organization, combined with knowledge of local context.

B.4 International Assistance Department Analysis

A vital part of any design project is to understand the user and the context were the outcome will be embedded. This chapter provides an introduction the history of the RCRC movement, a quick overview of the Netherlands Ecosystem, and continues to explain the nature of the International Assistance Department (IA). It describes the main findings regarding their current culture and way of working, their motivations and aspirations, and the challenges that they face.

B.4.1 Method

During the early stages of the project, I mostly performed desk research to get a grasp on the RCRC and the NLRC as an organization. Then, to understand the IA in a deeper level I relied on a combination of ethnographic research, interviews, and a questionnaire to validate some of the findings.

The ethnographic research took place the first month and a half of the project. I was present at some of the meetings and interacted

with a few members of the different units. Additionally, I had the opportunity to join a once-a-year retreat for the Business and Development Unit (BD&A), where I observed the unit's dynamic, and identified some fears and doubts expressed through comments.

Next to the observation, I performed three semi-structured interviews (Adams, 2015) about diverse topics (see timeline), to explore not only how they think, work, and collaborate;
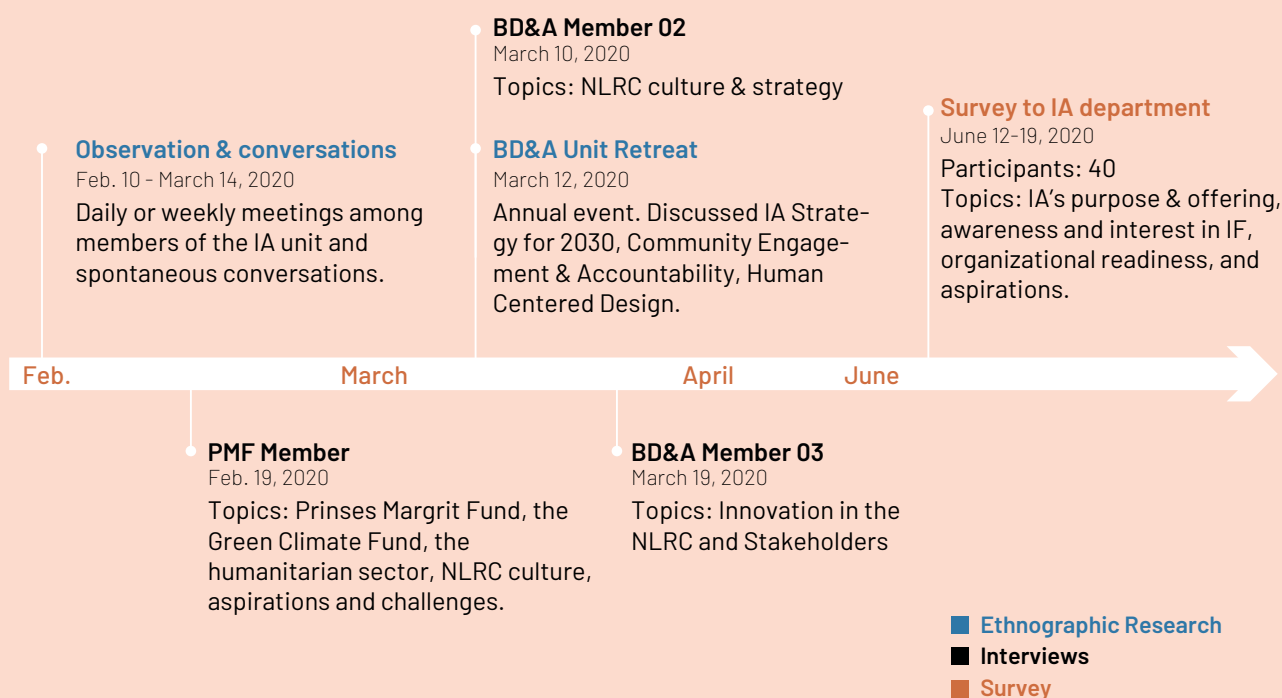

Figure 23: BD&A Retreat

BD&A Member 02
March 10, 2020
Topics: NLRC culture & strategy

BD&A Unit Retreat
March 12, 2020
Annual event. Discussed IA Strategy for 2030, Community Engagement & Accountability, Human Centered Design.

Survey to IA department
June 12-19, 2020
Participants: 40
Topics: IA's purpose & offering, awareness and interest in IF, organizational readiness, and aspirations.

Observation & conversations
Feb. 10 - March 14, 2020
Daily or weekly meetings among members of the IA unit and spontaneous conversations.

| Feb. | March | April | June |

PMF Member
Feb. 19, 2020
Topics: Prinses Margrit Fund, the Green Climate Fund, the humanitarian sector, NLRC culture, aspirations and challenges.

BD&A Member 03
March 19, 2020
Topics: Innovation in the NLRC and Stakeholders

■ **Ethnographic Research**
■ **Interviews**
■ **Survey**

Figure 24: Timeline of NLRC research

but also their aspirations, struggles and fears on the matter.

Finally, since the interviewed members were only from the BD&A unit, I used a questionnaire which was answered by 37 people from the whole IA and delegates to validate some findings and get a picture of the whole department. (For more details, see Appendix F.3)

Analysis of data

Many theories and models are available to analyse an organization, however, the purpose of this part of the research is not to perform a thorough analysis of the organization but gaining a general understanding of the way of thinking and working; and most importantly, their aspirations for the future. Therefore, to analyse the ethnographic notes and interviews, I followed thematic analysis method (Brain and Clarke, 2012), where the data is coded, clustered in themes and categories that emerge. (A codebook is available in Appendix F.2)

The first thematic categories that emerged clustered the codes in four topics related to different elements of the organization. Later, a second categorization distinguished the current state from aspirations for the future and the struggles they are facing to make them a reality, the most relevant codes can be found on the next page. These findings where complemented with the results of the survey and desk research.

In the next sections I will expand on the result, starting with an introduction the RCRC history, moving into the Netherlands ecosystem, and finally diving into the most relevant insights from the thematic analysis.

Qualitative research matrix

Purpose, Identity & Culture *Includes beliefs of who they are, shared values and identity, and it also related to the Organization's mission.*	**Value Proposition & Strategy** *Refers to what they do, and what they want to do in the future. It includes their offering and positioning.*
Current State - Desire to stay in control - Not money-driven - No confrontation - 'Too humble' - Fear of missing opportunities - Linear way of thinking	- Content experts - Address full disaster cycle - Reach remote locations - Strong evaluating processes
Aspirations - Become more disciplined - Become comfortable with uncertainty - Become more innovative	- Gain more independence - Freedom of spending - Freedom of way of working - Better communication
Challenges - Not an example themselves - Changing value perception - Uncomfortable with newness - Evolving identity of humanitarian worker	- Balance complexity vs simplification - Integrate new methods to decision-making - Reporting is an obstacle - Increasing donor demands

Processes & Capabilities

It is related to their way of working, people's skills and the organization's resources.

Positioning & relationships

This is includes how they relate to other stakeholders, the organization's image, and their ecosystem.

- Image of trust and quality
- Act as enablers for   other NS
- Strong position to dialogue
- Shifting to prevention & preparedness
- Developing Strategy 2030

- Confusing roles within RCRC
- Strong position in network
- Donors fear mismanagement
- Donors less happy with grants
- Donors require proof of good investment

- Stretching to development
- Become strong players in key areas
- Develop financial ecosystem
- Become proactive in tackling risks
- Better support other NS

- Collaborate with other sectors
- Leverage Netherlands ecosystem
- Become a linking pin
- Tackle root of problems

- Clarify vision
- Protect reputation
- Stretching to development
- Need for aligning narratives
- Translating strategy into practice

- Unfamiliar Language of private sector
- Changing or undefined indicators
- Crowding in investors
- Weak movement leadership
- Need for more efficient collaboration within RCRC

Figure 25: Codebook available in Appendix F2

1863   **1902**   **1914**   **1919**   **1965**   **2020**
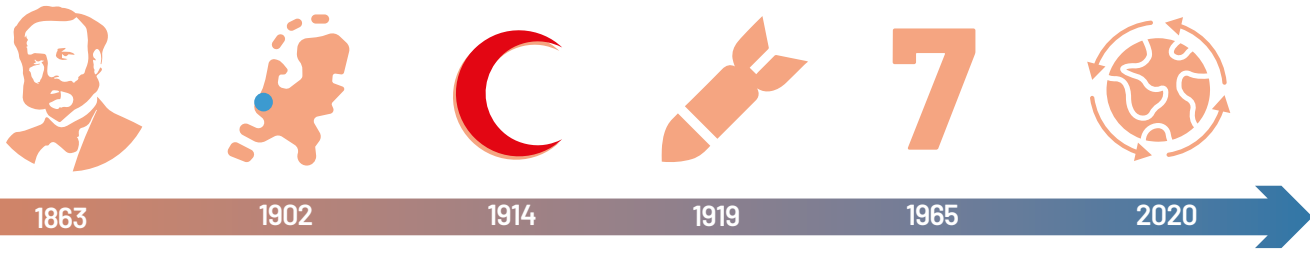
B.4.2 Red Cross History

Before diving into the NLRC, I want to talk about the history of the movement because it is something that nurtures their shared identity. It gives a few hints on who they are, why they exist, and their journey to becoming who they are now.

The main events can be found on figure xx. Without being very thorough, the inception of the RCRC happened in 1863; when, inspired by Henry Dunant, five Genevese nobles founded the International Committee for Relief to the Wounded. The initial objective of the committee was to aid soldiers in the battlefield. Very soon after, the first National Societies were born in Belgium, Denmark, France, among others. The Netherlands Red Cross was officially founded in 1867, and in 1902 the Netherlands hosted The Hague Convention X, which extended the movement's scope to naval warfare. By 1914 there were already 45 national societies through the world.

In 1919 the believe that WWI was the last of the wars prompted the expansion of activities to emergency situations not caused by wars, incorporating in their mandate fighting hungers and epidemics. Later, when they discovered wars were not truly over, but instead that the methods used had changed, they widened their focus to include the protection of civilians. In 1965 their iconic seven principles were coined (IFRC,2020; "The world of Red Cross Red Crescent", n.d.).

Expanding boundaries

What was particularly interesting for me is the evolution of its purpose and consequently its identity; which gradually expanded from the battlefield, to helping civilians affected during war, to all emergency situations (see figure xx). And today, the RCRC movement is pushing its boundaries again to include the whole disaster cycle and the effects of climate change. It has been constantly adapting, constantly reshaping what it can offer to those in need, constantly expanding its horizon. Now, it is no different. But expanding entails a creative destruction of the former identity to forge a new one and doing this is hard work.

B.4.3 Introduction to the Netherlands Red Cross Ecosystem

The NLRC is divided into National and International Assistance (IA). Each department works independently although they collaborate when needed and are keen on sharing information and best practices. Inside the IA there are five units and they also have a close relationship with the Climate Center of excellence, the 510 initiative, and the Princess Margriet Fund; all of which work "together but separately" at the NLRC headquarters. Additionally, the IA has several delegates in the countries they work with.

As any ecosystem, entities that are part of it share common goals, interests, ways of working (source) and at the same time, they all have different specific aims, approaches, methodologies, and even personalities. Some of them serve as the agile and innovative push that experiments, stretching the Red Cross brand; others serve as the anchor that keeps the "business" functioning. Like corporates and their Innovation Labs or ventures. Figure (xx) summarises my understanding of their specific focus and how they relate to each other.

My main learnings about the internal organization of the IA were that they do not implement aid themselves; they support other National Societies which are in charge of implementing aid. And that teams change constantly, because they put together teams according to the requirements for each assignment.

Figure 26: Sketch of units within the International Assistance Department and their relationship with other NS

B.4.4 Current state: results and discussion

This organizational analysis I performed allowed me to empathize with the members and understand more deeply, not only how they work but why; the motivations and aspirations behind their behaviour. It is not possible to communicate the totality of my insights; therefore, I've selected the most salient topics, hoping that they will provide a rich picture of the organization.

Let's start with the most visible elements and slowly dive into the less obvious findings. The coming paragraphs express the results of my research organized by topics, and in the next section I discuss the implications it has for the NLRC and this project.

Value Proposition

First, I started by figuring out what exactly is it that the IA does. The first weeks were a bit chaotic, but I gradually began to understand what they offer and the tangible outcomes of their work. In the survey (June,2020), some members expressed what they do in terms of results: "restoring human dignity and bring relieve", others in terms of offer: "Funding, expertise, networks"; but most of the members have a rather homogeneous understanding of what the IA does.

The NLRC offers support in the form of funding, technical expertise, access to the Dutch network, or even as a good example of excellence and professionalism to their Red Cross partners (PNS) with the goal of benefiting the most vulnerable people located in the PNS countries. (Survey, June 2020; interviews, 2020; see appendix F.3)

To expand on this, the IA has five main jobs:

1. Design projects and programmes in collaboration with the implementer NS, targeted to vulnerable communities.
2. Obtain funding needed to implement them; either from the Dutch government, Foundations, or the the Dutch public (via the NLRC Marketing and Fundraising Unit and Communications department).
3. Connect needs (be it technical support, funds, or access) with resources using the RCRC Movement network and their access to the Dutch network
4. Help their partner NS to develop capabilities and become financially sustainable, in short, to grow stronger.
5. Humanitarian diplomacy (lobby and advocacy)

These offerings have been well expressed in the latest 2030 Strategy, where they differentiate 4 services (see Figure 28)

Question: In short, what value does the IA offer and to whom?

"Financial and technical support to vulnerable communities though our Movement partners"

"Restoring human dignity and bring relief to the lives of people affected by disasters"

"The International department bridges cultural gaps and ensures humanitarian aid or development aid reaches beneficiaries and is accounted for."

"Funding, Expertise, Networks to RCRC Movement partners, and positive influence on Dutch constituency to continue to offer international solidarity and adopt policies, investments and practices that benefit the needs of people affected by crisis."

Figure 27: Example of question and answers in Survey (June,2020)

Target groups

The survey answers also allowed me to see that the IA members consider two identified 'target groups' that they offer their services to:

1) The National Societies they are partnered with

2) The vulnerable communities and people affected by the crises

The HNS (Host national society) serve as the end beneficiary of NLRC's efforts, and as a middleman for reaching the local communities.

However, from the conversations with people I realized that there is a third groups of people that they tailor their offering to:

"Donor's expect to see certain words being used"(BD&A retreat, March 2020)

"There are not enough projects that meet the requirements to invest on." (Referring to the Green Climate Fund; PMF Member, Feb. 2020)

It could be said that another target group that should become more explicit is:

3) Donors and future investors

Capabilities & Resources

Content expertise

One of the strongest resources of the NLRC is their network of advisors, which allows them to create programs and projects that considers many perspectives, from gender to community engagement. Other NS trust them to develop concept notes for their countries and direct the goals of the project. The BD&A alone has 7 areas of advisory, which talks about the emphasis on expertise.

However, having so many content experts inhouse can also make conversations more complicated:

"you cannot insource all the advisors because every advisor will try to prove that his or her area is important." (BD&A Member 03, March 2020)
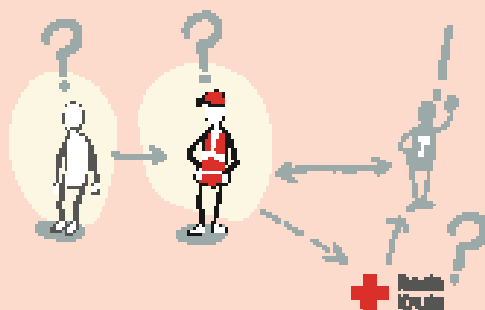
Expertise in 3 key areas
WASH, data, and income generation
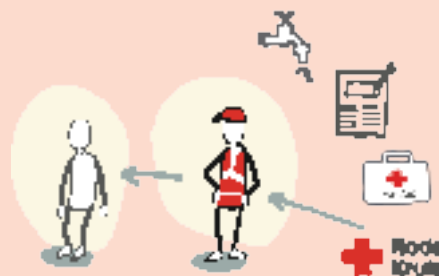
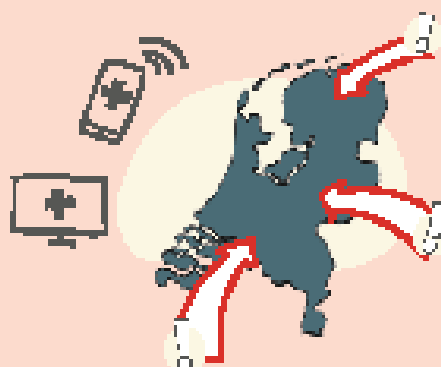*Funding*
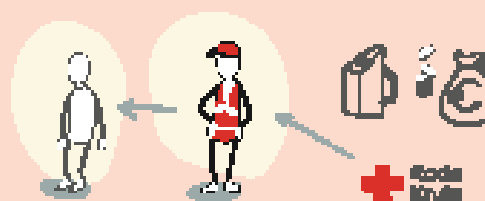
Brokering

Advocacy

Figure 28: IA services for 2030 Strategy || Source: Unofficial strategy presentation (internal document, April 2020)

And it could also make the organization less prone to strengthening their relationships with other actors outside the NLRC or the RCRC movement:

> *"Since the knowledge is in the house, we are not forced to look outside." (BD&A Interviews, March 2020)*

Evaluation processes

> *"Donors fear the service providers will mismanage their funds" (webinar)*

Since Donors require proof that their funds were well spent, humanitarian organizations have become very good at evaluating and monitoring. And with result-oriented contracting, these requirements will only grow. Although accountability and thoroughness are valued qualities of good programs and enables good decision-making, they come with the burden of measuring and reporting.

> *"They [...] add a lot of dead weight and make things very complex; procedures, checklist, guides.." (BD&A Interviews, March 2020)*

Some express their concern about adding new topics that need to be considered:

> *"I'm afraid it will become another 'check', as the gender sensibility. We're just like.. oh it's mentioned in the proposal, 'check'." (BD&A Retreat, March 2020)*

Mostly because they are expected to do more and more, but the structures and systems don't adapt to these new needs to make their new burdens easier :

> *"We do the same amount of euros as 15 years ago, but with 3x as many colleagues. This is partly caused by the work itself, we have to report on more things and the systems do not support us so well." (Anonymous, email to IA)*

Image & Reputation

Another of the NLRC's biggest asset is their image and good reputation. It is an asset that enables them to quickly build trust with other stakeholders:

> *"RCRC portrays an image of trust and quality. Trust is key when promising results. Trust on RC gives leverage in front of new partners." (BD&A Interviews, March 2020)*

The strong image and reputation of the Red Cross name grants access to otherwise inaccessible locations and gives them a place at the table regarding important humanitarian conversations;...

> *"Our mandate of neutrality allows us to be where others cannot" (BD&A Interviews, March 2020)*

> *"The NLRC has a very strong network and agency when engaging in dialogues with other parties." (BD&A Interviews, March 2020)*

However, it can also work against them and restrict them from participating in conversations considered 'outside' their sphere of activities.

> *"[...] there is one floor devoted to International Development Organizations. Everyone is there except any of us (RCRC). We don't have an office because we can't. So how do you expect to improve these relationships if we are limited by the way the organization is set up and the way the protocols are defined?" (GIFT Member, July 2020)*

This is need for stretching the image of the NLRC to include development and be accepted into this network; it is something that they are actively tackling.

> *"There's an interesting process of shifting the NLRC image from relief to prevention" (BD&A Interviews, March 2020)*

Culture & Identity

Personally, I find organizational culture and identity fascinating because of its strong influence on performance and success, but also on individual's sense of belonging and overall well-being. Before explaining the results, a quick reminder of what these two concepts refer to:

"Culture is the tacit social order of an organization: It shapes attitudes and behaviours in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group."

(Groysbrg, Lee, Price, & Cheng, 2018)

"Compared to the broader notion of culture, *organizational identity* refers to a narrower set of meaning structures focused on how members develop, express, and project their organizational sense of self"

(Ravasi, 2019)

From my observations and interviews I extracted three key qualities of the IA culture, which will have an important influence in the final design.

Purpose-driven

While it is not surprising that the NLRC attracts purpose-driven individuals, it's important to take it into account because it encourages certain behaviour and way of tackling concerns.

Humanitarian action has always been related to selflessness and deep interest in other's well-being. This means, on the one hand, that NLRC members are intrinsically motivated to do their job; they are willing to make an effort and go beyond the comfortable to achieve their goals. On the other hand, since they are all very empathetic, they try to be nice to everyone and avoid confrontation seeking consensus; which can lead to slow decision-making and reduce the interest on exploring alternatives.

(Groysbrg et al., 2018)

> *"We are very kind in a way, making sure all advisors are heard."(BD&A Interviews, March 2020)*

> *"Sometimes we are afraid of saying 'we cannot do this'"(BD&A Retreat, March 2020)*

Another downside of this identity is the attached belief that if you are purpose-driven, you cannot, should not, be money-driven. This poses an important challenge for engaging in financial instruments, which could be regarded as not worthy of their attention. However, a tension was also visible. Some units or members of the IA have noticed this conflict and questioning this belief.

In fact, the whole identity of a "humanitarian worker" appears to be in a transition moment. Some are against it, some are in favour; but the reshaping is undeniable.

"We have some people that start working with us, or have worked for a while, that have a bit of a romantic idea of being a humanitarian aid worker. Namely stepping into the airplane and start helping people themselves. It has become a bit more technical and assistance is different." (BD&A Interviews, March 2020)

Time buys money

In most sectors time can be bought with money; in this sector, with time you can obtain money. Therefore, time is the most valuable asset, and they are very careful on spending it wisely.

Each person's time, knowledge, and experience are very valuable because each individual has the power to influence for things to happen (or not). A problem here is the high rate of rotation of people, where knowledge and experience gets lost.

Having control

Complementary to being purpose-driven and aligned with the nature of their work (and arguably with the Dutch culture) is the emphasis on having control over the actions and outcomes.

"They want to be sure of the outcome before taking action" (BD&A Interviews, March 2020)

"Now, our main idea seems to be "let's just in-source this so we can control it" (BD&A Interviews, March 2020)

For that reason, they are not keen on trying new things with uncertain outcomes.

Risk-averse

"The strategy is not as exciting as I wanted it to be, but that's the limitations

"Colleagues have changed from labourers to thinkers, which has had an effect."

(Anonymous, email to IA)

of the organization. I can't just come up with something totally disruptive and different, cuz then there's no match" (BD&A Interviews, March 2020)

During the conversations, there was always an emphasis on the risks, what could go wrong, what they need to be prepared for. This is critical for emergency and disaster relief; however, it can also skew the mindset towards staying in the comfort zone and not trying out new things.

Even though they are hesitant to trying new things, there are some individuals pushing for a transition to a more innovative culture, and to become more comfortable with uncertainty

"Sometimes we need to be comfortable with not measuring the impact" (BD&A Interviews, March 2020)
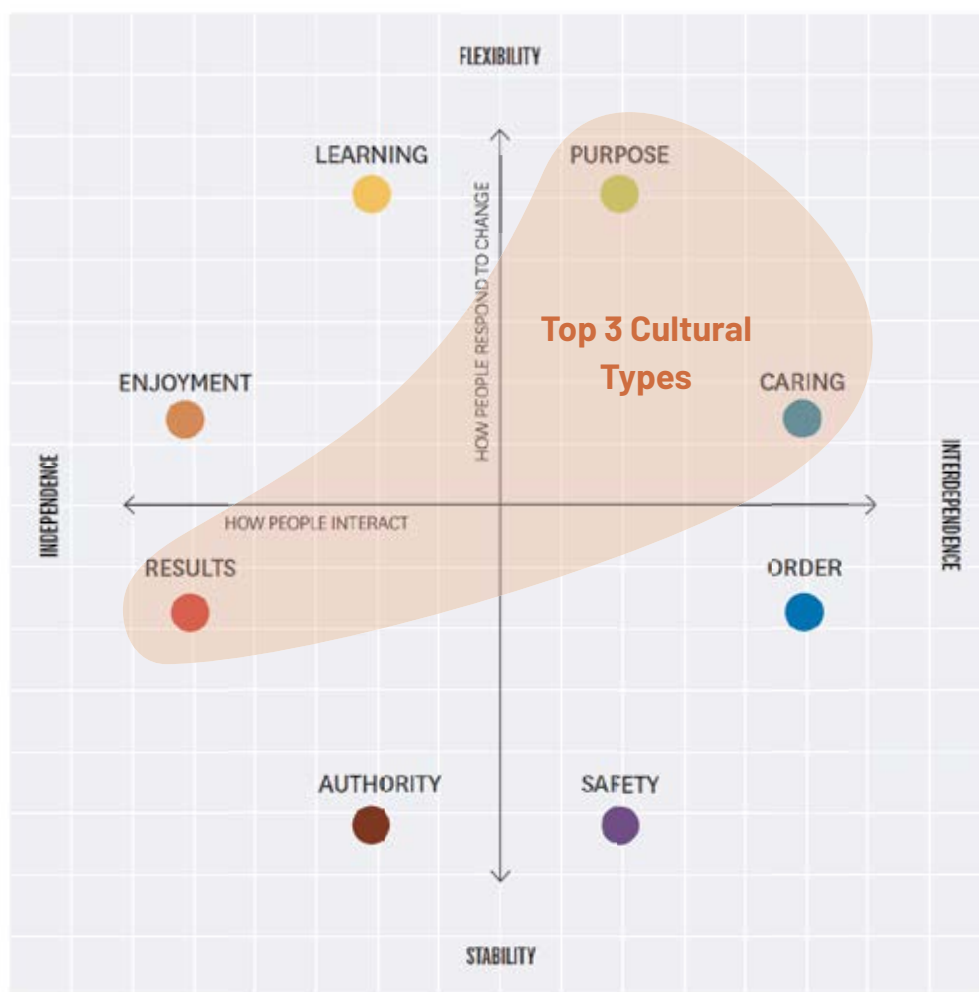
Cultural Types

To complement the IA's culture analysis, I decided to use Groysber's Integrated Culture Framework (2018). Derived from decades of experience analysing organizations, this framework explains that any organization's culture, regardless of its type, size, industry or geography, can be understood through two primary dimensions: it's people interaction's and their response to change.

When cultures are mapped, eight key types emerge. The relative prominence of these eight styles for a given organization provides an easy to understand picture of its culture. Although none of the culture styles are better or worse, they all entail trade-offs. And the fit between the culture style and strategy highly influence the organization's outcomes.

The article published on the online version of this publication (hbr.org) provided a simple ranking exercise that can help see where in the framework does the organization stand, which I used in the survey (See Appendix F.3) The results of the survey align with my observations.

Figure 29: Top 3 Cultural Types. Advantages and Disadvantages extracted from
Groysberg et.al. (2018)

	Advantages	Disadvantages
Purpose Purpose-driven, idealistic, tolerant	Improved appreciation for diversity, sustainability, and social responsibility.	Overemphasis on a long-term purpose and ideals may get in the way of practical and immediate concerns.
Caring warm, sincere, relational	Improved teamwork, engagement, communication, trust, and sense of belonging	Overemphasis on consensus building may reduce exploration of options, stifle competitiveness, and slow decision making
Results Achievement driven, goal focused	Improved execution, external focus, capability building, and goal achievement	Overemphasis on achieving results may lead to communication and collaboration breakdowns, and high levels of stress and anxiety

B.4.5 Aspirations & Barriers

Identity is not only the answer to 'who are we?' But also to 'who do we want to become?'; having clear and shared aspirations serves as a catalyse of organizational change efforts (Ravasi, 2019). Although interconnected, I identified three themes of aspirations that I will try to articulate, along with some barriers or challenges the NLRC is facing to achieve them.

Long-term and systemic approach

Humanitarian Organizations and Donors are tired of seeing how the same problems happen over and over again. The most mentioned aspiration for the NLRC is to acquire a long-term approach, to tackle problems from the root and truly assist communities to become sustainable and resilient in the long run. That is why they are putting a lot more emphasis on prevention and preparedness strategies.

> *"In 2016 they created a new "Change strategy" with a long-term vision towards prevention. Because the red cross's purpose is to "PREVENT and alleviate human suffering". (PMF Member, March 2020)*

Shifting to a long-term and systemic approach requires also new methods and ways of thinking. The NLRC is making an effort to develop capabilities to better tackle this challenge:

> *"What we tend to do is to focus on many risks at the same time. But each risk has its own approach. If you look at the problem as a system, then the story becomes very logical" and not forced. (BD&A Interviews, March 2020)*

The main **barriers** they are confronted with are related, not only to their internal capabilities but with the interaction with other actors in their ecosystem:

Strong humanitarian image

Although this is very useful in some areas, it becomes a barrier when trying to expand to development topics. Donors and other partners don't even consider the Red Cross as an organization that can develop programmes in this area.

Short-term funding

> *"There is never a predicable long-term funding available for humanitarian crisis. Overcoming that short-term funding mechanism, that is a big challenge." (BD&A Interviews, March 2020)*

Strengthening and expanding network

Context challenges are bigger and more complex than ever, pushing organizations to collaborate and rely on each other's capabilities and resource. Several interviewees are aware that they cannot tackle current challenges by themselves and that they need to form new alliances and expand the horizons of their network.

> *"Funding is declining; I don't expect that the amount will soon rise. There is a need to shift towards collaborating with other type of sectors, ensuring that in the countries in which we operate, good networks are established." (BD&A Interviews, March 2020)*

> *"(It would be great if the NLRC would) Form more partnerships with many more reputable humanitarian organizations to share learnings and programme experience" (Survey, July 2020)*

Through the interviews and interactive sessions, the most relevant actors were identified and placed in a stakeholder map (see figure xx). Four main sectors for collaboration were identified: Humanitarian, Development, Public, and Private sector.

It was expressed by the interviewees that ideally, the NLRC should develop stronger relationships with those in the 'essential' circle in all the 4 areas. However, expanding the network to the development and private sector present a bigger challenge.

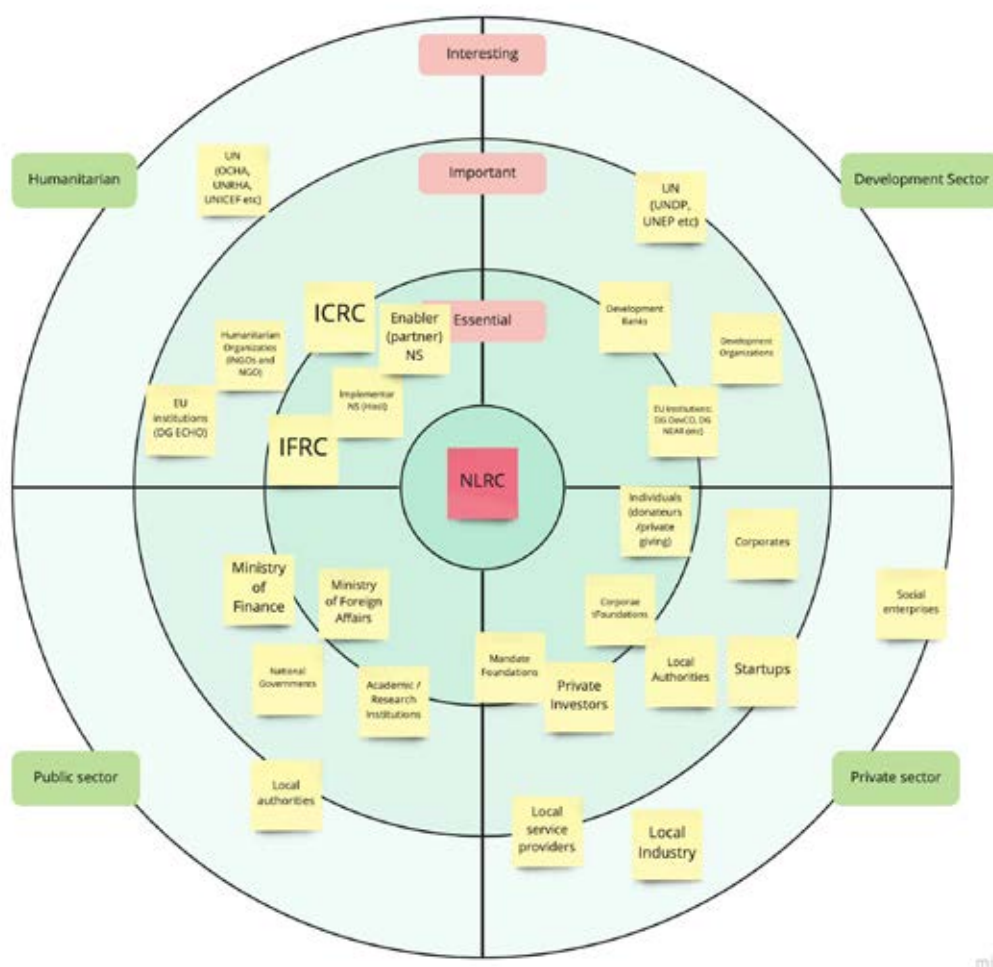The main **barriers** to expand their network include:

Figure 30: Stakeholder map (Interviews, March 2020)

Complexity

With an intention for long-term goals and a more systemic approach, problem areas become more complex. Additionally, the more stakeholders there are, the more complicated relationships get; tensions arise, and stakeholder management becomes more difficult.

> *"Complexity is a barrier. Very often there isn't an interest to engage in innovative finance because there's a preference to give grants. If these donor's don't invest in people that can help with the complexity, it becomes harder." (GIFT Member, July 2020)*

Unfit capabilities

Expanding and strengthening the network requires some capabilities the RCRC is very good at, like lobbying and advocacy. However,

new skills are needed to face conflicting collaborations, and engage in partnerships with the private sector.

> *"Even if they (NS) manage to have conversations with donors or investors about IF, the conversation wont' go as you want because people are not equipped to speak the language." (GIFT Member, July 2020)*

Lack of trust

There is a strong pressure from their current donors to perform better which materialized in the growing popularity of result-based contracting (Green, 2015). Donors argue that the reason of this is the purse of improved accountability and therefore impact (IF Advisor, July 2020). However, the NLRC perceives it as a lack of trust in their implementation capabilities

Comfort and control

Finally, another barrier is a simple reluctance to try new ways of working or engage in difficult conversations.

> *"Now, our main idea seems to be "let's just in-source this so we can control it". [...] I think that made us lazy, and since the knowledge is in the house, we are not forced to look outside." (BD&A Interviews, March 2020)*

The ecosystem is undergoing a big change, the competition between organizations is growing and new players are coming in with different languages and interests. New questions arise in this context, what's the line between cooperating and competing? How to cooperate with entities that we don't understand? How to speak the same language?

Evolving culture of innovation

There is a growing awareness of how the current ways of doing things need to change in order to address the aid-needs gap. Many members mentioned the aspiration of becoming more proactive in their practice, and a desire to incorporate new methods and skills to their repertoire. For example, defining their needs and requirements so that donors or investors answer to them, instead of them having do adjust to donor's requirements. And as the context changes, their role is adapting too.

"I would like to see how on the longer run we can make this shift towards something where we predefine ourselves what we want, how we want it, and how we want to sell it."

"We are somehow intermediate between the actual people that give support of people in need, and that's why it is central in our strategy that we are enablers of other NS partners. Meaning that what we do requires some other skills that people traditionally might have or think that are good for these types of jobs."

However, this transition does not come smoothly, there are a **barriers** within the

organization that hamper this evolution:

Distrust in drive for innovation

> *"Innovation is a kind of "key word" that one always needs, but in the end we deliver humanitarian aid, humanitarian support. And that is always at the base of what we are doing." (BD&A Interviews, March 2020)*

Reluctance to come out of the confort zone.

> *"When we try different things than what we normally do is hard, because it is not our natural fit or role. So we have to find the way." (BD&A Interviews, March 2020)*

> *"There is a lack of understanding and also unwillingness to invest in building that capacity in NS" (GIFT Member, July 2020)*

B.4.6 Conclusion

In Summary, the NLRC is facing external pressures that are forcing them to review their way of working and even their identity as humanitarian aid workers. They are now aware that they need to change and they are in the way of developing a vision and strategy to guide them. But there are several barriers that are making this process more difficult.

Talking specifically about innovative finance, some of them see the potential and are aware that it's a direction that might bring many benefits, but they are hesitant about the uncertainty and feel they don't have the capabilities to engage in these models.

There are still many conversations to have about who they are as an organization and how to translate their values and goals into today's world pressures, which would help them arrive to a shared sense of identity and shared vision. With this clear, innovative finance could become a very useful tool to help them achieve their aspirations.

C. SYNTHESIS

Synthesising is the most arduous part of the design process; organizing information and structuring insights was an iterative process, which started early in the project but took me around 12 weeks to bring to the final stage. In the following sections I describe this process, the theoretical background that served as guidance, and the resulting problem definition for the design phase.

C.1 Bringing insights together

This first section collects my first attempt synthesise the research findings, and the literature on systems and transition design that helped me through this process.

Through the research and analysis phase, I aimed to gain an understanding of three spheres of knowledge. The key insights are represented in figure 30)

Now, the challenge was pulling these spheres together and comprehend what happens when they converge. Comparing the current state of the IA department, with the global pressures. Understanding how could innovative finance fit within the NLRC ecosystem, etc.

While collecting these insights, a process of sense-making started where I searched for connections and patterns that could help me answer:

1. What is the 'real' problem?
2. What needs to happen to address this problem?
3. What does it mean for the NLRC?
4. What can I do to contribute to that?

When looking at the complete picture...

This is what I saw

Big shifts are happening in the global context that directly affect the NLRC, the RCRC movement, the broader humanitarian and developmental sector, governments and society. Added to these unyielding developments, the COVID-19 pandemic has accelerated the innovation rate in certain domains, such as digitalization and remote aid; but has left the non-urgent transformations for latter; innovative finance being one of them.

But even pre-COVID, the efforts for advancing were confronted with a lot of scepticism. Even though many actors from different sectors are aware of the need to do things differently; some of which even recognize the potential in developing innovative finance mechanisms which could help them reach their goals, still, there are little concrete actions. Since humanitarian organizations are built for emergency response, they possess a deep-rooted risk aversion and pressure-resistant processes. This is vital to fulfil their mandates; however, a trade-off is a lack of interest in exploring new alternatives. Which means that the few organizations pushing for IF to gain momentum within the humanitarian sector are confronted with many difficulties.

The NLRC, as an important player in the humanitarian arena who is constantly aiming for increasing their impact on vulnerable communities, has noticed these efforts and is cautiously exploring the topic. But, as many other organizations, they are unsure if these instruments can offer a real benefit; and if so, it isn't clear where to start and how to harness their potential without taking too big of a risk.

As I moved from research to problem framing, when trying to answer questions like: what is the solution to these difficulties? Should the NLRC engage in IF? What innovative financing models fit the NLRC? I realized there was no simple answer.

Many factors are interconnected, and outcomes are unpredictable. One organization,
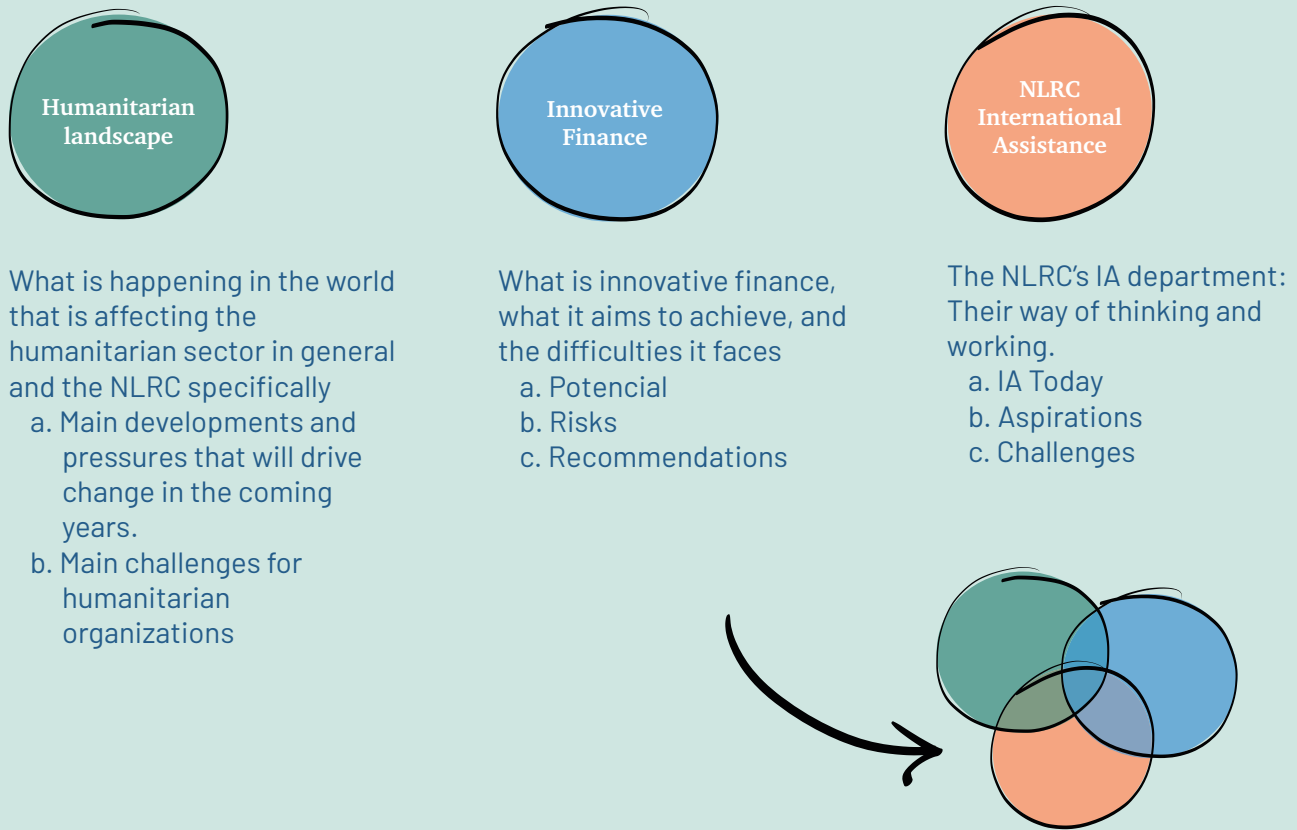
Overview of reserach topics

Humanitarian landscape

Innovative Finance

NLRC International Assistance

What is happening in the world that is affecting the humanitarian sector in general and the NLRC specifically
  a. Main developments and pressures that will drive change in the coming years.
  b. Main challenges for humanitarian organizations

What is innovative finance, what it aims to achieve, and the difficulties it faces
  a. Potencial
  b. Risks
  c. Recommendations

The NLRC's IA department: Their way of thinking and working.
  a. IA Today
  b. Aspirations
  c. Challenges

Figure 31: Overview of research topics

or even an alliance of organizations, cannot control the outcomes, cannot fully predict what will happen, and cannot by itself execute a solution. The problem and the interventions are so complex that it unquestionably requires the participation of multiple actors from different arenas that can combine their expertise and resources.

Multi-actor network, unpredictability, interconnectedness, non-linearity.

These are qualities of Complex Problems, which cannot be addressed with the same approach that traditional product/service design problems. I needed a design approach that helped me navigate complex problems:

A systemic perspective.

This realization was a pivotal for my graduation project because, as expressed by Conklin:

> *'Problem wickedness is not about a higher degree of complexity, it is about a fundamentally different kind of challenge to the design process, one that makes solution secondary and problem understanding central.' (Conklin, Basadur, & VanPatter, 2007)*

And before proceeding to the solution space, I had to find some theoretical background that served as a guide towards developing an intervention for the IA. The following section compiles relevant theories that helped me during the analysis and synthesis, and later, guided my decision-making.

C.1.1 Theoretical background for a systemic perspective

Systemic and Transition Design

As stated above, the problems organizations are facing touch upon entire industries and markets, and require not only different technologies, ideologies, and governance; but a different analytical approach:

"To engage in this analysis means changing the terms of analysis. [...] It means thinking in terms of systems, rather than strictly in terms of technologies, sectors, industries and markets. It also means a renewed attention to long-term transformations in, or transitions of, industrial, technological and economic systems, and understanding how these are related to social, political and cultural change." (Wieczorek & Berkhout, 2009)

Fuelled by these evolving needs, the design discipline has continued to climb upstream, from product, to service design, and now to systemic design; which is an integration of systems thinking and design thinking. This powerful fusion allows to frame challenges in a broader context, taking into consideration the constant and many times unpredictable change of systems and multiplicity of perspectives within (Ryan, 2014).

Transition design is another novel methodology that provided frameworks and tools to understand how systems change over time. It's oriented to long-term thinking, and proposes design can support the creation of future visions for systemic transitions. (Irwin, 2015)

Excited as I was to find theories on the topic, I first needed to understand what complex systems are and how to design for them.

Complex Systems

Systems are defined by Meadows (2009) as 'an interconnected set of elements that is coherently organized in a way that achieves something'. This implies that three components are essential to systems:

Wicked issues *can be defined as problems in which there is little or no…*

- Agreement on the definition of the problem due to multiple values, perception, and perspectives.

- Clear solutions to the problem due to the wide array of possible solutions and trade-offs associated with each

- Easily identified causes or authority due to the problem having multiple potential causes, jurisdictions, stakeholders and regulator or implications.

Figure 32: Source: (Rittel & Webber 1973; summary retrieved from: https://aese.psu.edu/)

1. Elements: the parts, actors, or even other smaller systems.
1. Interconnections: the relationships and influences they have on each other. These can be physical flows of things, information, energy; but also, the rules and standards that determine the nature of the relationships.
1. Function or Purpose: What it achieves, which is not a rhetoric or stated goal, but the result of the system's behaviour.

This definition could encompass any kind of system, from a coffee maker, to an organization, to the marine ecosystem; however, not all systems are complex. Complex systems have certain qualities that make them... well... complex; difficult to understand and predict.

Interdependence

For starters, the fact that elements are interconnected means that they influence one another's behaviour; for instance, the way political conflict in an Syria determines the commitment of a donor for the One Wash fund, which again, impacts the probability of other investors to take action, which again, affects the future interventions in that country.

Any action or event has consequences in the rest of the system, intended and many times unintended (Ryan, 2014).

Non-linearity

Adding to the difficulty, the relationships between agents tend to be non-linear. We, as linear-thinkers, see the world as a cumulus of linear cause-effect events: I heat my coffee, therefore it's hot; and if I heat it 2 minutes I correctly expect it to be hotter than if I heat it 30 seconds. Linear relationships between elements can be easily described with constant proportions, and we like them because they are easy to measure and predict.

On the contrary, non-linear relationships does not produce proportionate effects (Meadows, 2009); the same way more financial aid will not automatically ensure a decrease in poverty.

"Transitions are complex and long-term processes comprising multiple actors"

(Geels, 2005)

'That twisted changeability makes non-linearity hard to calculate, but it also creates rich kinds of behaviour that never occur in linear systems' (Gleick, J, in Meadows, 2009).

Resilience / Robustness

Broadly, resilience refers to the ability something has that allows it to recover its strength, shape, or original state after being disturbed. The opposite of resilience is rigidity or fragility (Ladyman, Lambert, & Wiesner, 2013). System thinkers look at it as balancing loops that restore the system to its desired state.

Resilience is a well-known term for the NLRC, many of their efforts are targeted to improving community resilience. But the RCRC network has the same balancing loops, as well as the broader context. Perhaps aiming for network resilience is also a way to go.

It should be noted that despite this 'magical' quality, all systems have a limit to its robustness, where they are no longer able to recover. Then, big changes happen, and the system transforms or disappears.

Self-organization

'The most marvellous characteristic of some complex systems is their ability to learn, diversify, complexify, evolve' (Meadows, 2009). We recently saw several examples of this ability of a system to make its own structures and relationships during the COVID-19 pandemic, where new groups and rules emerged and became a new way of organization. This quality is also visible in the constant emergence of initiatives related to innovative finance which were not orchestrated by a sole organization,

yet they continue to "pop-up".

Self-organization is inherent to living things and engenders unpredictability and heterogeneity. To enable it, contrary to what we may think, it requires certain degree of disorder and freedom for experimentation; commonly uncomfortable conditions for individuals, and specially for power structures such as management.

Hierarchy

In complex systems there are several levels of organisation, groups of sub-systems that form a system, which in turn belongs to an even bigger system. This arrangement of systems and subsystems is called a hierarchy, and although everything is interconnected, some relationships are stronger than others. (Meadows, 2009). The Red Cross movement is the perfect example; National Societies are self-regulating systems and the relationships within the units are much stronger than the ones between other National Societies. However, they are all interdependent and belong to the bigger system called Red Cross Movement, and after that to the humanitarian aid sector, etc.

Given all these qualities, systemic design therefore promotes analysing in terms of context, instead of isolated elements.

Transitions or Systemic Innovation

So, it's clear we are and live in systems. Our systems are formed by people and the things that we have created, which are often called socio-technical systems*. However, as history proves, they are not static, they change and evolve. Sometimes because of natural disasters or strong disruptions, other times caused by its own qualities of emergence and self-organizations. When changes align and occur in various fields of the system (economic, institutional, cultural, etc), they transform the deeper structures of the system. These are transitions, also called system innovations. (Geels, 2005b; Wieczorek & Berkhout, 2009)

Multi-level Perspective

Given the difficulty of understanding these systemic changes, Geels proposed the Multi-level Perspective (Geels, 2002, 2005a, 2011; Geels & Schot, 2007); a framework for analysing the complex dynamics of socio-technical change. It differentiates three level of the system: socio-technical regime, the socio-technical landscape, and niche innovations.

Systems have a certain 'dynamic stability' that results from the structures and agreements between actors; the 'rules of the game'; which can be explicit like regulations and contracts, or implicit, like shared beliefs,
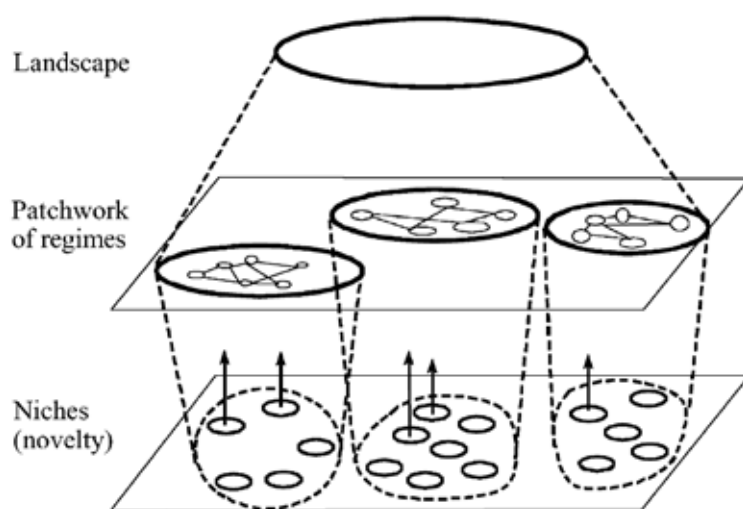

Figure 33: Multiple levels as a nested hierarchy. (Original, from Geels, 2002)

routines, or lifestyles. Geels (2002) refers to this 'semi-coherent set of rules that orient and coordinate the activities of social groups' as the socio-technical regime, the meso level. These guidelines are reproduced, maintained and transformed by actors within the system, and they stabilize it; but also work as lock-ins that oblige innovation to be incremental.

Niches, on the other hand, are 'protected spaces' where radical innovation can happen. For example, startups, R&D labs, or corporate ventures which are isolated from the forces of market selection. These spaces are critical for providing the 'seeds' for systemic change, but emergent innovation needs to align with the regime to get adopted and survive.

Finally, above both arenas is the socio-technical landscape; the wider context that consists of external factors and developments that influence and constrain the regime and niches. It includes mega-trends and developments, societal ideologies and values.

In this sense, the higher the level, the more sable and aligned structures and actors are.

So, transitions happen "through the interaction between processes at these three levels" (Geels, 2011). Where changes at the landscape level put pressure on both the regime and niche level, destabilising the regime and creating a 'window of opportunity' for niche innovations to be adopted. (See figure 34)
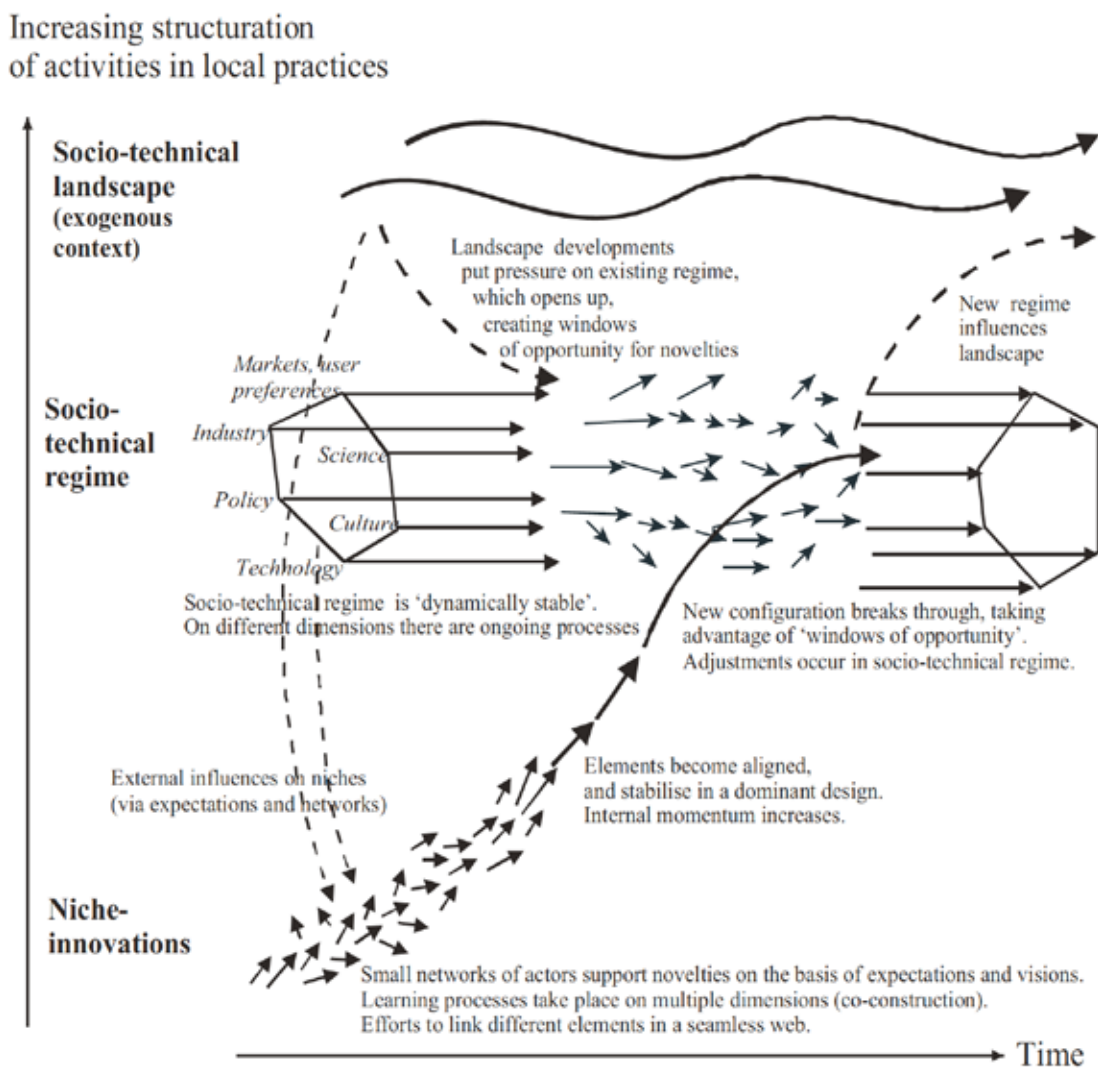
Figure 34: Multi-level perspective on transitions.(Original, from Geels, 2011)

Transition Traits

Wieczorek (2009) describes four traits of a system innovation:

Multi-causality

They are caused by a multiplicity of factors that influence each other over time. Not one element can function autonomously, instead, they are interconnected at different levels people, organizations, societal functions, society

Structural change

Although innovation processes can be radical or incremental and therefore involve abrupt changes of the components of a system; transitions involve changes in the structure of socio-technical regime.

Uncertainty

As long-term processes that involve slow and fast changes, and which are constant adjustment, transitions cannot be fully envisioned. It's difficult to judge the benefits and costs of changes precisely because of its complex and interrelated nature.

Multiple actors

'Systems innovations frequently involve the emergence of new actors and networks that tend to be disruptive to established actor networks'. In itself, networks are complex, and each stakeholder has their own values, visions, and interests. The new actors and interconnections expand the coordination problems

Conclusion

Learning about systems and transitions allowed me to have a better understanding of the big picture, which gave me more certainty moving forward. This was a very interesting discipline to explore for me, but I suddenly realized that my insights and though process was getting dangerously broad and abstract.

It was imperative for me to find a way to use this new information to help me make sense of research findings, but also make sure the outcome is tangible and concrete.

C.2 Research Synthesis

These theories allowed me to look at the insights I have collected with a different eye. I used the multi-level perspective framework to map the events related to Innovative finance, then I identified the problems and pared it with recommendations from literature. Finally, I narrowed down the possible impact of this project.

C.2.1 What is happening?

I translated my findings into the three levels described in the multi–level perspective framework (see next page), and it became evident that:

In short, we are witnessing and taking part of a 'systemic transition'.

Let me explain:

The Landscape

At the macro level we have the global factors that affect us all, which are beyond the direct influence of actors. These developments happen slowly but steadily and are putting pressure on the regime structures and influence niches. On top of this, we have COVID-19, a dramatic disruption with many immediate and visible effects, which will continue to drive changes in the coming years.

The explanation of the identified change drivers is available in section B.1 and a full list of context factors can be found in appendix F.1.

The regime

On this level we have a 'patch-work' of systems and subsystems, including the RCRC movement, local governments, corporates, etc; all of which have aligned their activities and practices. Considering the actors involved in IF4D, four main sectors interact: Governments, private, humanitarian, and developmental sector. Some actors in these sectors have been taking action to adapt their activities to the landscape pressures, take the SDGs as an example.

The NLRC, embedded in this regime, has also perceived these pressures and is responding by adapting its strategy. For example, by incorporating a more long-term vision and restructuring their services. By doing so it is expanding towards the developmental sector, which has a different set of beliefs and practices and is resisting their entrance. Additionally, it's exploring the possibility of engaging in Innovative Finance, looking for more resources to fuel its activities.

However, change within the regime is slow because of the many structures and processes developed to maintain the status quo. The big actors within are struggling to cope with the rate of change, and often, fail to recognize that the same 'rules of the game' that have guided them for the past decades are the ones

The niches

Meanwhile, for the past 20 years a few early innovators started exploring new financing models. This is has not been easy, because the
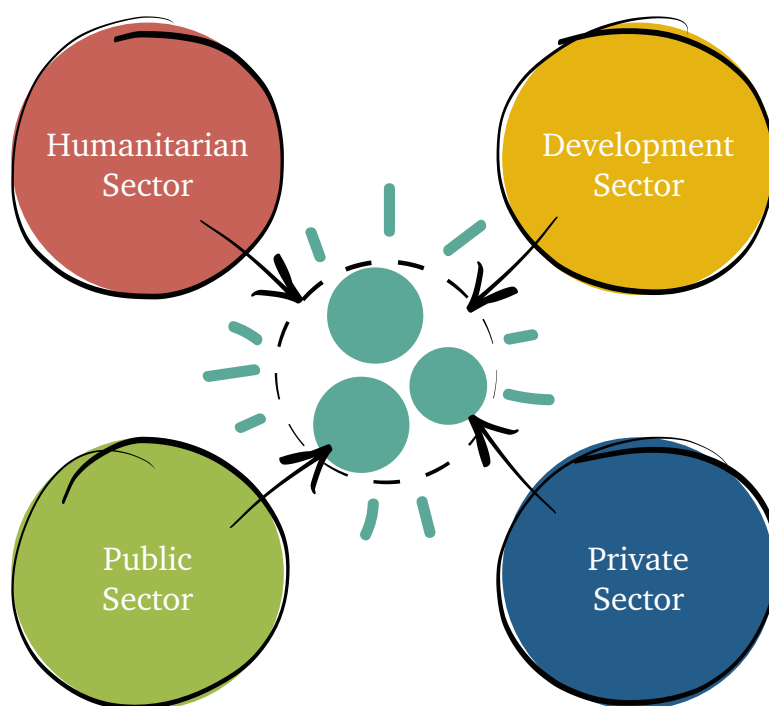
Figure 35: Emergent Ecosystem of Innovative Finance

regime has many stabilizing mechanisms and vested interests try to resist the changes. An added difficulty is that some entities are highly risk-averse and not comfortable innovating.

As time passed, some niche actors started to connect, building learning structures and aligning their efforts. In recent years, big organizations (such as ICRC, UN, IFRC, etc..) are starting to get engaged in IF4D. A turing point because they have the power to legitimize the innovations. Their aim is to align the innovations to the regime so that these can be incorporated as a new standard.

Emergent Innovation Ecosystem

I've called this network of actors the **Emergent Ecosystem for Innovative Finance (EEIF).** Which also has subsystems, such as the growing RCRC network of people engaging in the topic; and even the NLRC emergent ecosystem, championed by my mentor, Klaartje Docters.

Jackson (2011) defines an innovation ecosystem as "the complex relationships that are formed between actors or entities whose functional goal is to enable technology development and innovation." Recognizing the recent interactions between actors as part of the emergence of a new ecosystem is important because making the ecosystem explicit will enable the actors to construct a clear purpose and align their activities (Durst & Poutanen, 2013)

Now, this EEIF is still struggling to make things happen. Primarily because actors involved come from different backgrounds, so communication is difficult, there is conflict of interests, and there is no aligned vision yet.

Ecosystem Roles

Through the sessions with members of the IA, I gathered many stakeholders that are part of the NLRC ecosystem. Later, making use of the 'Ecosystem Canvas' from the Platform Design Toolkit (PDT, n.d.) and through several iterations in combination with feedback sessions, I translated them into categories of roles with similar motivations, involvement, or
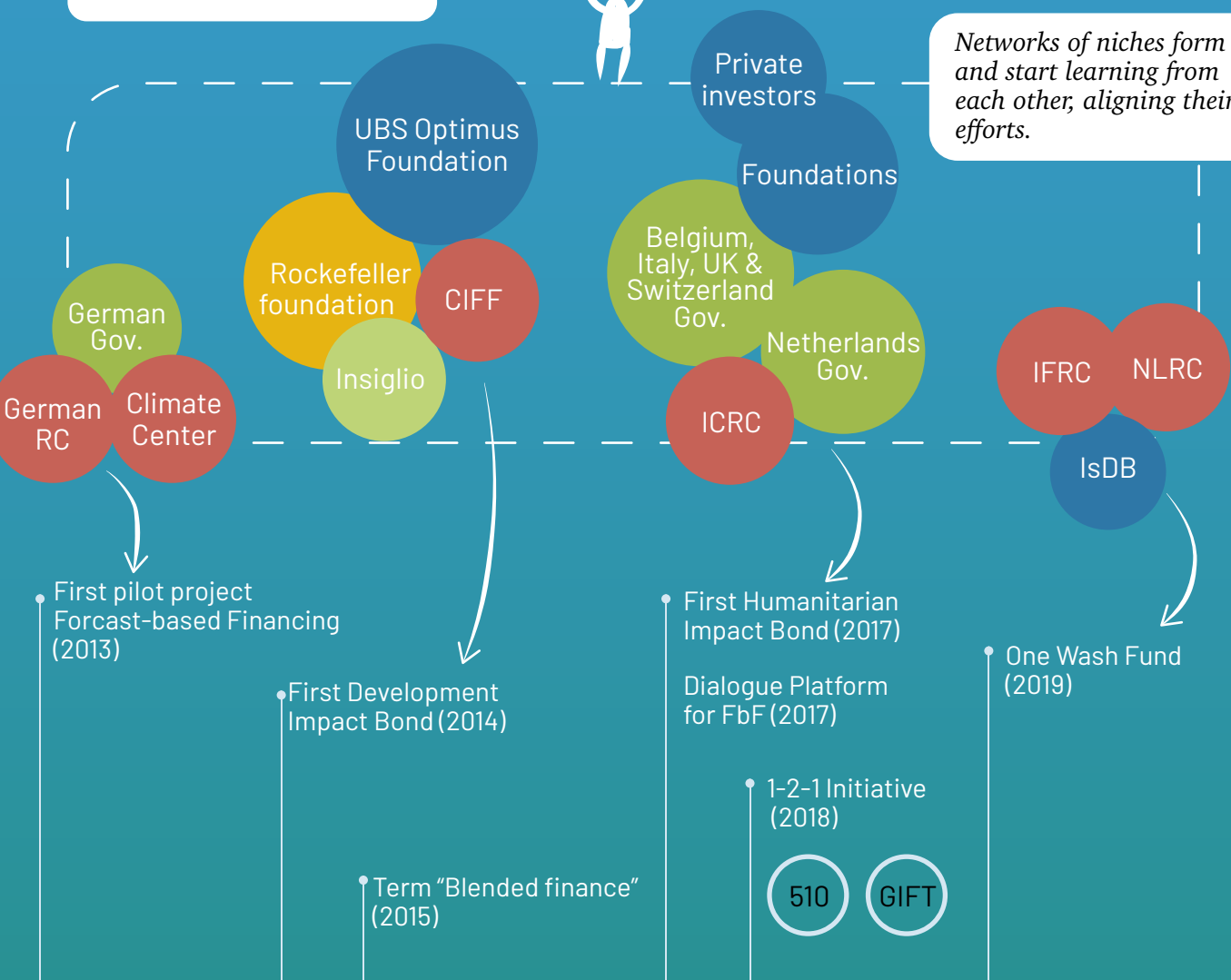
Multi-level transition map
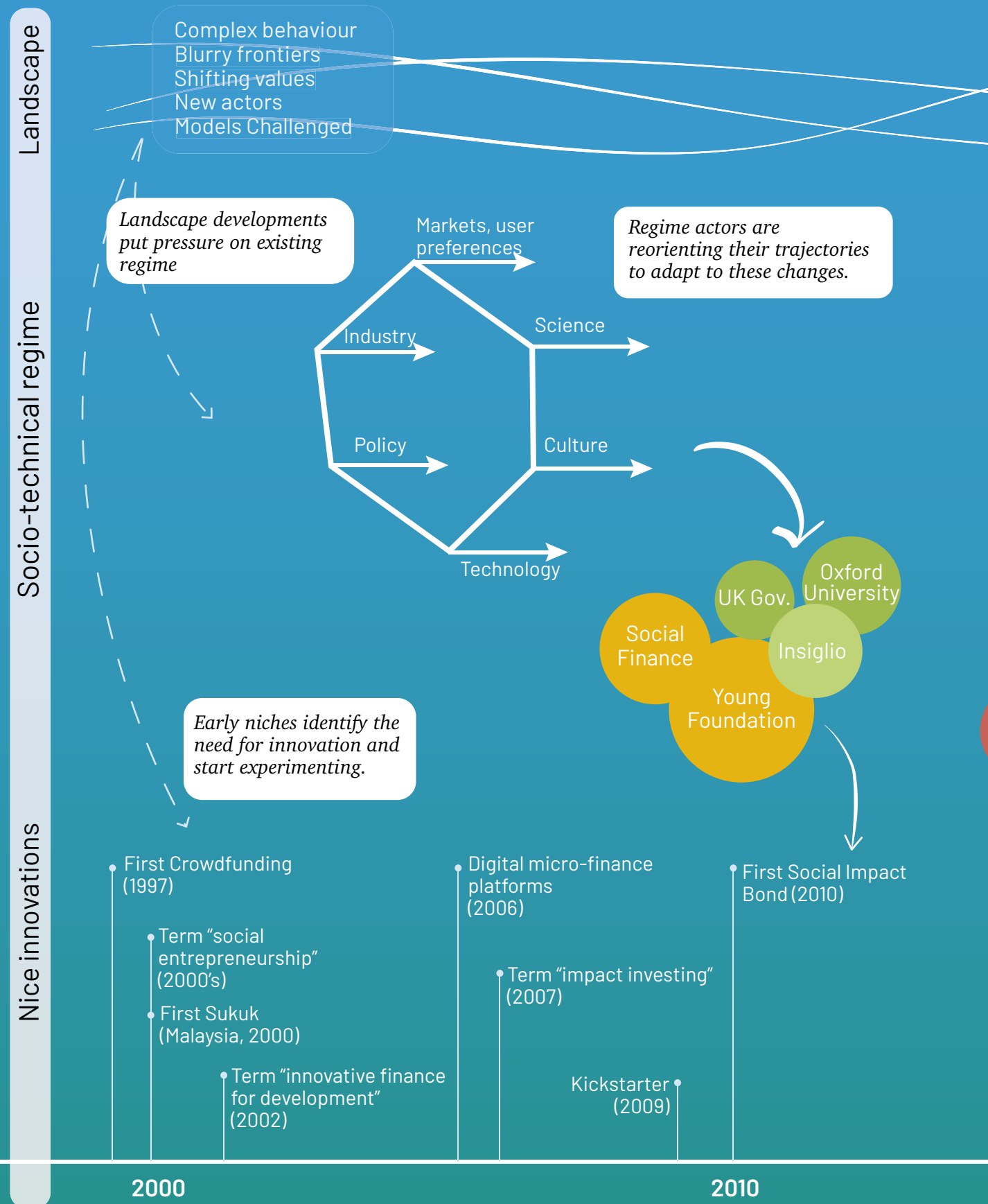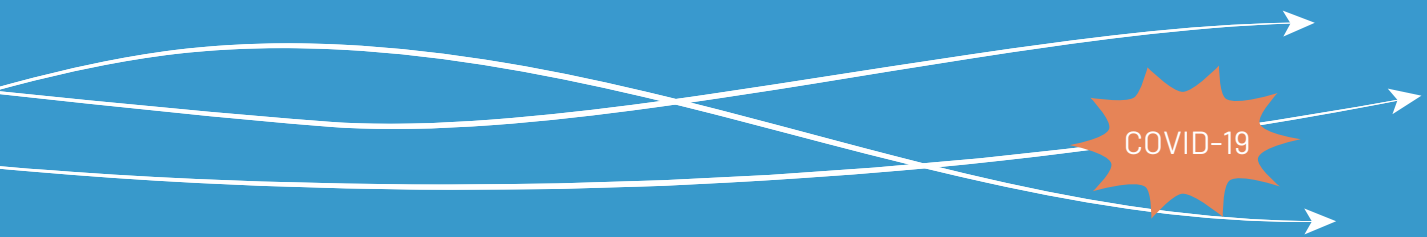
Landscape

Socio-technical regime

Nice innovations

Complex behaviour
Blurry frontiers
Shifting values
New actors
Models Challenged

Landscape developments put pressure on existing regime

Markets, user preferences

Regime actors are reorienting their trajectories to adapt to these changes.

Industry

Science

Policy

Culture

Technology

Social Finance

UK Gov.

Oxford University

Insiglio

Young Foundation

Early niches identify the need for innovation and start experimenting.

First Crowdfunding (1997)

Digital micro-finance platforms (2006)

First Social Impact Bond (2010)

Term "social entrepreneurship" (2000's)

First Sukuk (Malaysia, 2000)

Term "impact investing" (2007)

Term "innovative finance for development" (2002)

Kickstarter (2009)

2000

2010
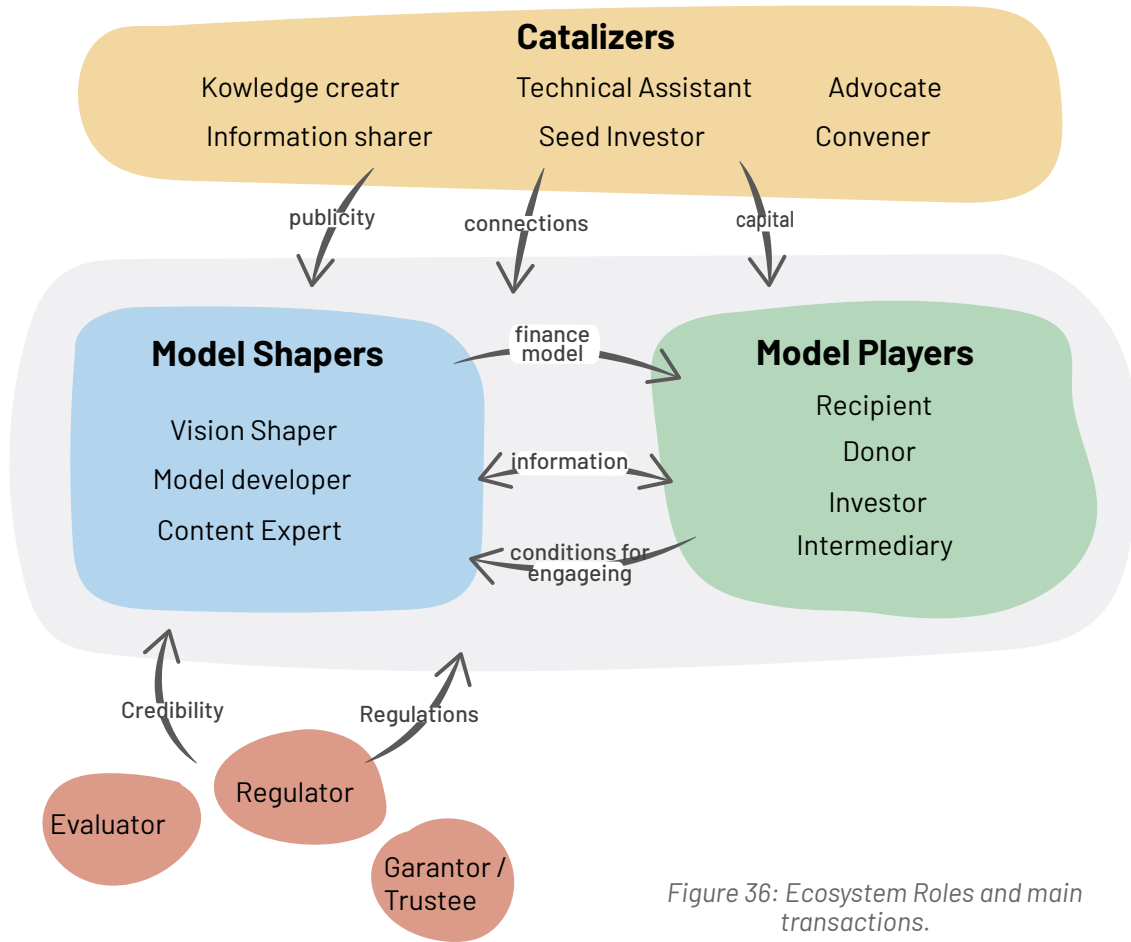
Figure 36: Ecosystem Roles and main transactions.

type of task; although each of them has its own unique function that adds to the ecosystem. For more details of this process refer to Appendix F.8

The result was 4 categories with overarching qualities and functions within the ecosystem, and 15 individual roles. A full description of each of them can be found in Appendix F.8

C.2.2 Ecosystem Problem Framing

As I dived into the insights with this new perspective, I saw a pattern of difficulties and concerns repeated over and over; in sector reports, in interview, even in the survey. Difficulties that I encapsulated in three topics:

A) Cumbersome collaboration
B) Reluctance and hesitation
C) Unfit capabilities, processes, and regulations

A. Cumbersome collaboration

Since these innovative financing models require unusual collaboration of stakeholders, there are issues like lack of trust, unfamiliar concepts and jargon, conflict of values and interests, and simple lack of experience engaging with actors from different backgrounds.

The phrase 'we speak a different language', encompasses the main difficulty: Actors from one sector see those of other sectors as foreigners; they not only speak in different terms, but they have different values, interest, organizational culture, and concerns. Even within the RCRC movement we can find competition and tensions.

Moreover, as the niche innovations disrupt the ways things are done, the regime actors resist to these changes; which brings me to the second difficulty.
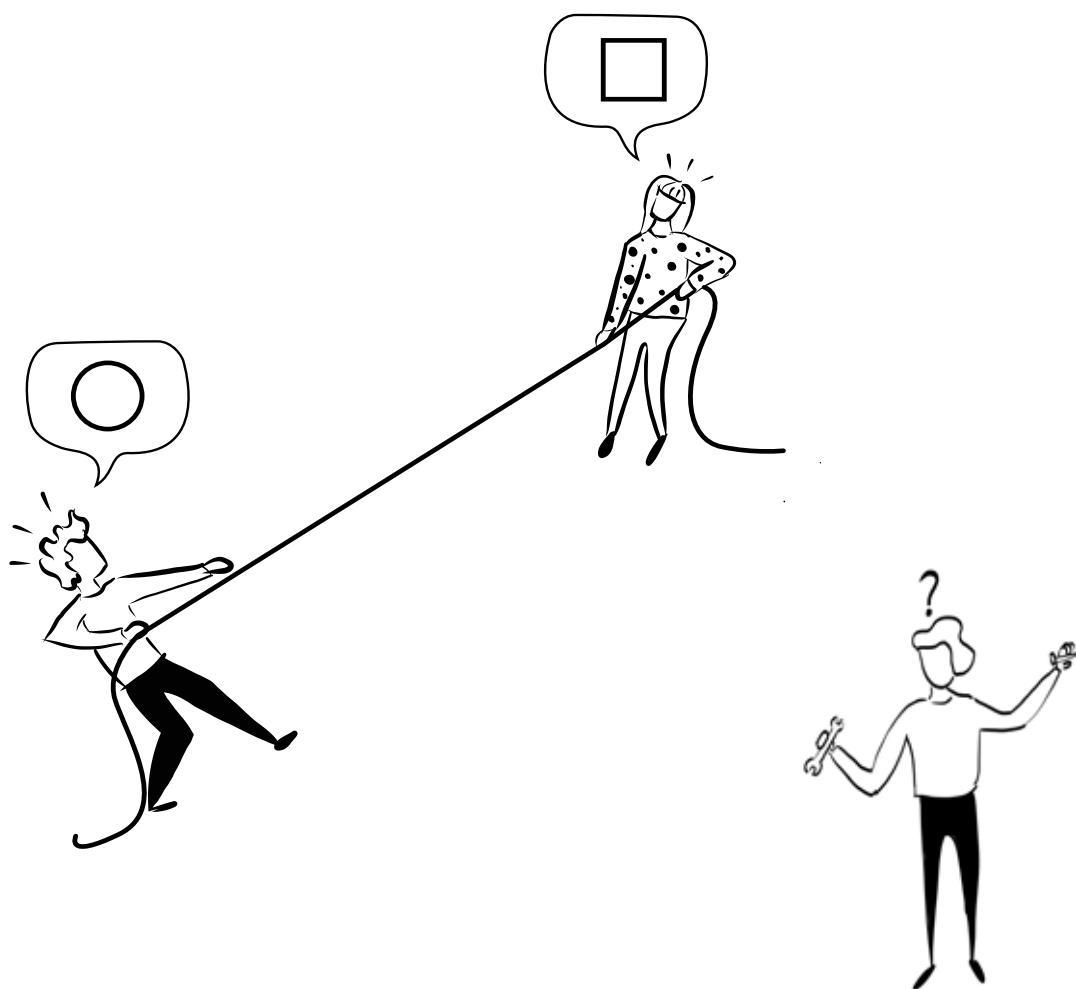
B. Reluctance and hesitation

With a risk-aversion culture, and an increasingly complex and unpredictable context, the reaction to innovative financing models is of hesitation. As noticed by the GIFT member (July, 2020) who has been interacting with donors and investors, there is a general reluctance to making an effort in understanding these new models and adapting regulations and processes to make them happen. This is also due to lack of awareness of the topic, which leads to misaligned expectations.

Additionally, the innovative financing models are still in the first stages where outcomes are still uncertain. Engaging with them now requires being comfortable with experimentation, which is not common within big INGO's and the public sector (Green, 2015).

C. Unfit capabilities, processes, and regulations.

These financing models present completely new challenges. On the one hand, these models require areas of expertise that is not traditionally related to humanitarian or developmental organizations: financial models and innovation management.

These models are not only new but many times complex. Actors in the ecosystem do not have the necessary resources and capabilities to deal with this, on top of their al ready demanding job. Workforce and funding are insufficient.

Finally, even when there is an interest in engaging, actors are confronted with a lack of a regulatory framework, or unavailable indicators to prove impact. Which pushes involvement back.

C.2.2 What needs to happen?

Now that the situation, aspirations, and challenges are established, the next important question is what can be done to tackle the difficulties and facilitate achieving the ecosystem's goals? What do experts and researchers advise to do?

From the desk and literature review, I collected many recommendations that range from individual skills to coordinated global action. In the following paragraphs I synthesized them in three topics, however, they are benefit and influence each other.

Build and nurture social networks

Several thinkers agree that a key element for a successful evolution of a nascent socio-technical ecosystem is the configuration and nurturing of a social network (Anderson, 1993; Geels, 2002; Loorbach & Rotmans, 2006). This network is the source of its resources, the bigger and stronger, the better.

Anderson B.L. (1993), in his 'Framework to understanding and assessing systemic change', developed 6 stages and 6 key elements that evolve through those phases. One of them is precisely networking. Although applied towards an educational reform for restructuring high school, the main ideas could be extrapolated for any systemic change. He mentions that in order to move from an 'awareness' phase of the transition, where actors realize they need to change but there still don't know exactly how, to an 'exploration' phase, where stakeholder groups develop new models; a critical mass of different types of actors needs to join the network. Similarly, Loorbach and Rotomans (2006) pose that the basis of a transition

"It is already an ambiguous journey, it would help if at least the co-passengers can be trusted."

(van der Bijl, 2018)

process is the establishment and organisation of multi-actor network.

But building it is only the start. For this network to effectively tackle the challenges ahead, two things need to happen:

- Facilitate and nurtured the network (Loorbach & Rotmans, 2006)
- Develop trusted relationships among stakeholders (van der Bijl, 2018)

The first is relatively easier because it encompasses activities that are well known, specially to the RCRC. It refers, for example, to a providing people with background information, detailed information on the specific topics important to the matter, and the exchange of learnings between stakeholders (Loorbach & Rotmans, 2006).

The second one is more difficult because, as we established earlier, there are a few tensions and contradicting interests between actors. To address this difficulty, Kahane A. (2017) developed some guidelines for conflicting collaboration through his 'Stretch collaboration' approach.

He points out that in complex and uncertain situations, collaboration must go beyond conventional dialogue and agreements. He proposes three dimensions that owt to be stretched for finding a way to move forward.
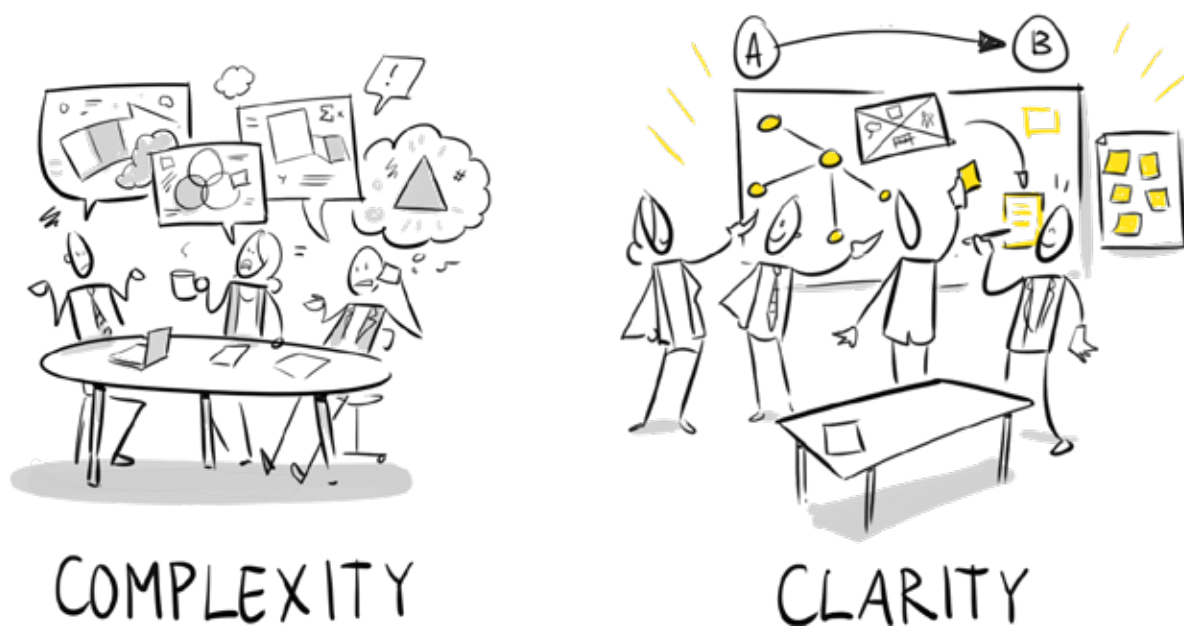
*Figure 37: Creating a shared understanding ‖ Autor: Flatland agency
(retrieved from imageflatland.agency)*

In summary, these are:

1. Stretching the way we relate to the other people we are collaborating with, embracing connection, but also conflict.

2. Stretching the way we advance as a team. Because consensus for clear agreements and goals are not always possible, "we have to stretch to experiment with multiple perspectives and possibilities in order to discover, one step at a time, what will work and move us forward."

3. Stretching our understanding of the role we play in the problem we are trying to solve. This refers to changing the focus from getting other people to change, to acknowledging our own responsibility in the problem and being open to changing ourselves.

The quality of the network will have a strong influence in the velocity of the innovation development. It is important to designate some time and effort to catalyse networking. Fortunately, the NLRC is already very good in developing partnerships (Interviews, March 2020), and only needs to focus on expanding outside their traditional circle.

> *"Every transition becomes coordinated at some point through the alignment of visions and activities of different groups."*
>
> (Geels & Schot, 2007)

Articulate problem field and shared visions

Once the network is formed and growing, another important element for a successful innovation process is the articulation of the problem field and the development of shared visions. The first one should consider the broad system where the complex problem is embedded in, and should be understood as fields of interrelated problems (van der Bijl, 2018).

The shared vision, also called 'shared purpose' in system thinking, are imaginative and long-term images of the future they want to see realized. These should be co-developed by several actors form the different sectors to incorporate a variety of interests, needs, and expectations and ensure that they are supported by a broad range of actors.

These visions have a double function, to guide and align the innovation activities of the EEIF stakeholders, and to attract the attention and funding of potential partners outside the network (Geels & Schot, 2007). That is why they should be inspiring and leave enough space for interpretation. Likewise, it is important to remember that transition visions are not fixed blueprints, but evolving images that will continuously need to be fed with new insights and learnings.

Nonetheless, this is not an easy process. Referring to the sustainability transition Loorbach & Rotmans (2006) express:

> *"Organizing an envisioning process for sustainable development is a difficult task. It requires questioning one's own paradigm and leaving aside the concomitant everyday noise. It also requires insight and imagination to look ahead one or two generations. Last but not least it requires agreement among often diverging opinions on what sustainability means for a specific transition theme."*
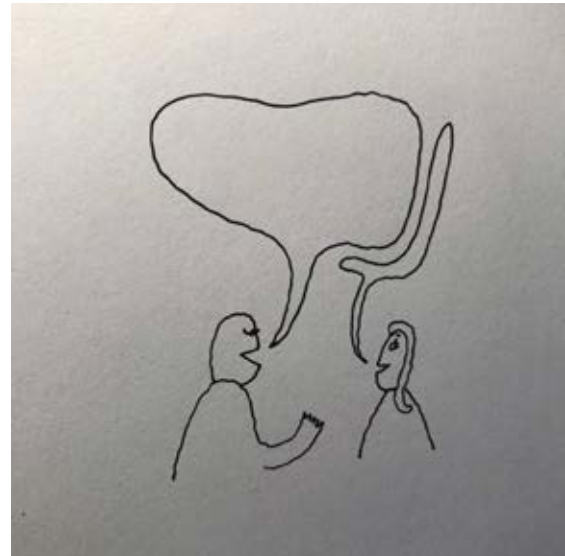
Figure 38: Dialogue ‖ Autor: Liana finck (retrieved from https://lianafinck.com)

Which makes us think, what does innovative finance mean for the different actors, not in a 'definition' sense, but in a deeper sense. What does engaging in IF signify for their organization's present and future?

Adapt mindsets, processes & structures

Finally, as these two first goals are neither easy to achieve, nor something actors within the ecosystem are thoroughly familiar with, it's imperative for people to acquire new skills that help them face the requirements of complex and uncertain situations.

Specifically, there are three skill areas that would radically help organizations, including the NLRC:

- System thinking mindset and methods (no surprise there by now)
- Dialogue and conversation skills, with emphasis on listening
- Visual thinking

System thinking mindset and methods include relinquishing the idea that someone has control over the outcomes and accepting that there is no 'one right answer'. But anarchy is not the opposite of control, it is experimentation:

running multiple parallel experiments, learning, adapting, and use what emerges. What this discipline suggests is that complexity and uncertainty are more manageable and risks are mitigated when the network runs a portfolio of prototypes, cultivating and amplifying the ones that work (van der Bijl, 2018).

As a multi-sector network, working together will require extra developed *dialogue skills;* but, as Richard Sennett (2012) points out, our society puts a lot of emphasis on speaking and presentation skills, but little attention to listening skills. These require a different approach, and many times require to hold our own thoughts.

A simple but powerful tool for enhancing conversations are questions; but not any question. There are many terms, 'wicked

questions', 'curious questions', 'triggering questions', or 'reflective questions'); but all of them suggest that questions should be tailored to explore the problem or solution space, the observation of multiple perspectives, and identify patterns and connections.

Although there is not as much scientific literature on the value of using *visual language* to facilitate complex problem-solving, several experimented consultants and professionals (eg. Dan Roam and Tom Wujec), insist in that visual language is an indispensable tool for, understanding complex systems and problems and for communicating them more quickly and effectively.

As humans, 75% of our sensory neurons are dedicated to visual processing (Roam, 2009), that's the reason we can understand more data when presented visually, and also remember more. Visual language is not only a tool for understanding the problem; advocates of visual thinking explain that visualizing also helps collaborations become cumulative and enhances reflection serving as a dialogic tool (van der Bijl, 2018).

But going beyond the individual skills that people within organizations could harness; the ecosystem itself needs to develop structures and processes that enable experimentation, dialogue, and learning. And examine the norms and regulations in place, changing those that hinder this process.
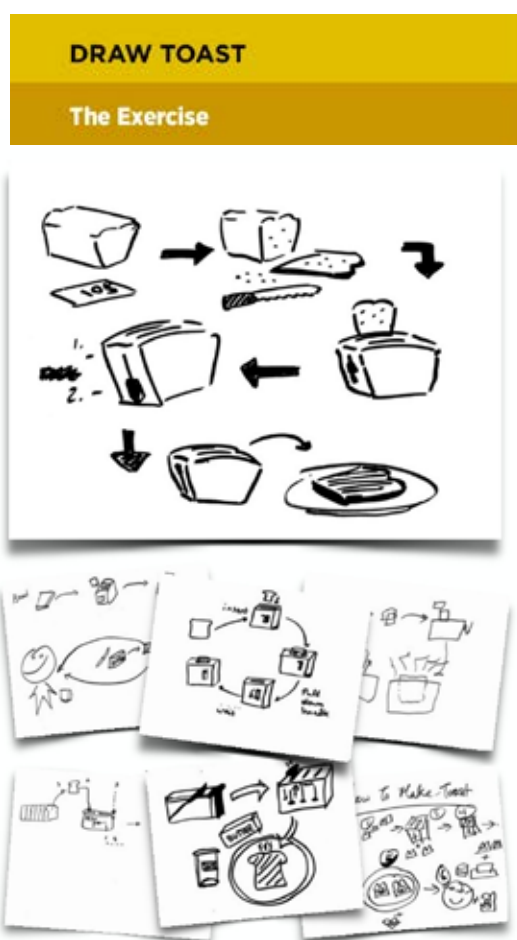

Figure 39: Draw a toast exercise, from the part Tom Wujec's Wicked Problem Solving™ toolkit

"Visual thinking enhances strategic inquiries by making the abstract concrete, by illuminating relationships between elements, and by simplifying the complex."

(Osterwalder & Pigneur, 2010)

C.3 Project problem definition

As mesmerizing as it was to explore the global context and understand the system in which the NLRC and the innovative finance efforts are embedded; the scope of this graduation project can only go so far. But given the immensity of the solution space, where should I direct my attention? What could I develop with my specific capabilities in the given timeframe? How can I make the information I have collected and synthesized useful for the NLRC? And what specific challenge will I address?

I had to bring down the insights from a systemic perspective into the organizational and individual level, and translate them into a concrete intervention that answered the
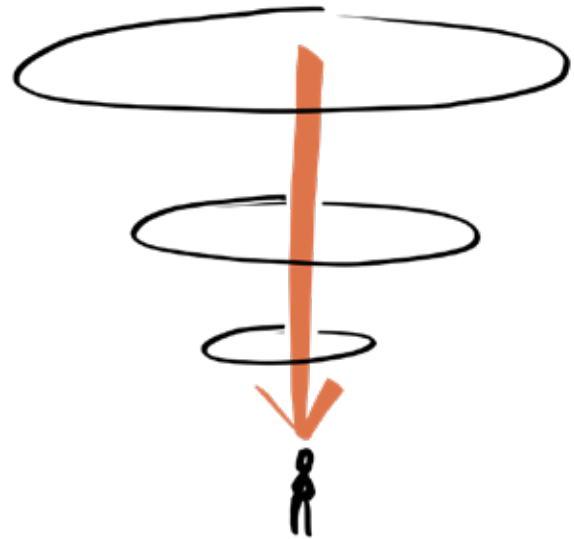
Figure 40: Narrow down scope

Framework for Engaging in Blended Finance

Each step has:

✓ *Purpose*—objectives to initiate and scale Blended Finance

✓ *Principles*—an approach to achieving these objectives

✓ *Process*—actions to undertake to initiate Blended Finance

8 Learn and scale up across the organization

7 Develop pipeline and deal execution capacity

6 Review lessons to build Blended Finance capabilities

5 Pilot a Blended Finance deal in your new framework

4 Assess gaps in organizational capacity for Blended Finance

3 Formulate a preliminary set of goals and principles for Blended Finance

2 Build organizational buy-in and awareness

1 Understand your organization's starting point

4-6 months

Figure 41: Source: A How-To Guide for Blended Finance (WEF, 2015)

graduation project brief: How can the NLRC seize the potential of IF?

However, although the brief question addresses "How can we engage in IF", the reality was that many members of the IA are either unaware of innovative financing models, or still hesitant about whether the NLRC should invest time and effort into this topic. I realized that I was still skipping a very important step: *getting people on board* with the idea of undertaking this topic.

Going back to my research, I realized that this step is mentioned in the WEF framework's for engaging in blended finance (WEF & OECD, 2015b) The first step in this framework is understanding the organization's starting point, the second step is precisely building buy-in and awareness; and only after that, an organization can start getting into details of how and with what purpose are they going to dive into it.

My Role

While trying to narrow down the synthesis to a manageable problem, I reflected on my role and the influence that this graduation project can have among the BD&A team. One of my goals from the beginning was to make sure the result would not end up as another report on the shelf.

When I started this project, I thought my goal would be to investigate IFM and answer questions like 'which IFM would best fit the NLRC?'. But as I moved forward, it became clear that, on the one hand I do not possess the necessary knowledge and experience to answer them. These queries require experts on

financing models, experienced humanitarian workers, and a whole network of actors to make it possible. And they can only be answered in alignment with the NLRC's goals and vision for engaging in this topic.

Most importantly, I realized I am not in the position of doing so. As an outsider, even if I could develop a plausible answer, the solution would not be owned by the people that need to turn it into reality: the BD&A unit and its close network. My role, therefore, is not to provide answers, but to offer information and tools for them to develop their own answers

Project Problem Definition

This led to a narrow aim for the design phase:

Develop an intervention that increases the awareness of the topic within IA team, and provide them with information and tools that help them answer the question 'Should we engage in innovative financing models? And if so, how?'

D. DESIGN

This chapter collects the design process, from a defining the specific goals of the outcome, through the ideation and validation phase, until the final outcome. In the last section I explain the final design with argumentation for my decision-making.

D.1 Design Goals

Now that the problem has been narrowed down to something that can be addressed in this graduation project, I developed three design goals to guide my design process.

These three goals bring together the original intention of the assignment with the insights of the research phase, translating them into realistic and specific objectives to be achieved. They were formulated through several discussions with my NLRC mentor, making sure they address the current needs of the IA team in relation to the topic.

From these goals, many questions emerge: What information is the most relevant to share? What type of interaction would spark interest to this specific audience? How could I encourage 'good dialogue'? What should the dialogue be about? How to make sure they what I deliver is used? Which lead to the design challenge:

Spread understanding

of the potential of Innovative financing models, of the actors within the ecosystem, and the roles each one can play.

Spark interest

in Innovative finance for humanitarian aid to build organizational buy-in.

Encourage dialogue

between members of the International Assitance team and with other actors of ecosystem

Target User

Main User: Members of the IA

Possible additional Users: Other members of the RCRC, Donors, Investors, Partner and Public entities.

Design principles

As a designer, my personal values and way of working will permeate into the outcome of the project. These design principles represent me and guided me through the design process.

Simple: Find the essential

Useful: Make sure it aligns to the user's way of working

Inspiring: Talk to the mind and the heart

Design Challenge

Design an intervention for the members of the NLRC's International Assistance department in a way that increases awareness, sparks interest on the topic, and facilitates dialogue.

D.2 Design Process

In this section I organized the design process in chronological order, combining design iterations with validation and decision-making.

It's difficult to pinpoint when the design process began because ideas start to pop almost from the beginning. But, when I officially started, I first focused on the nature of the interaction I wanted people to have with the resulting product. Later on, I narrowed down the type of interaction, situation of use, and features of the product. And finally, I detailed the design.

D.2.1 Ideation & Validation

Choosing a Direction

There was a point when I finally felt the synthesis of insights was enough and it was time to make it more concrete. I started by collecting all the ideas I had parked during the research and synthesis phase and brainstormed with a colleague for more ideas.

Clustering allowed me to see that there was quite a variety of interactions that the early ideas suggested. I extracted four polarities of interaction that I wanted to explore (see figure 43)

Figure 42: Clustering

Evaluation of Six concepts

However, choosing a direction from these quick ideas was not a clear path, therefore developed 6 concepts that represented this variety with the objective of using them in a validation session that shed light on which direction to follow.

I made sure the different polarities of interactions were represented: For example, the booklet is for individual use, while the game set is meant for group sessions; the wall poster provides information useful in the exploration phase, while canvases can help translate into action.

In these short online sessions I asked 5 members of the BD&A unit to rank the concepts in three different scales and to think out loud while evaluating (see Appendix xx for more details).

Informative ——— Interactive

Individual ——— Group activity

Exploration phase ——— Definition phase

Used within the ——— Used with other
organization stakeholders
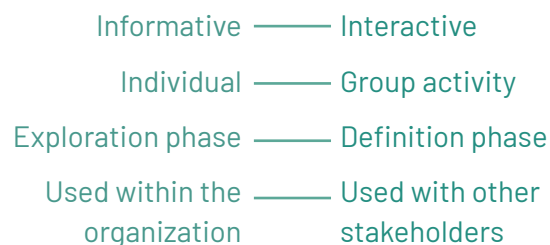
Figure 43: Interaction polarities

I will shortly describe the concepts and discuss the strengths and limitations that rose from the evaluations; which finally help the decision-making process for the final design.
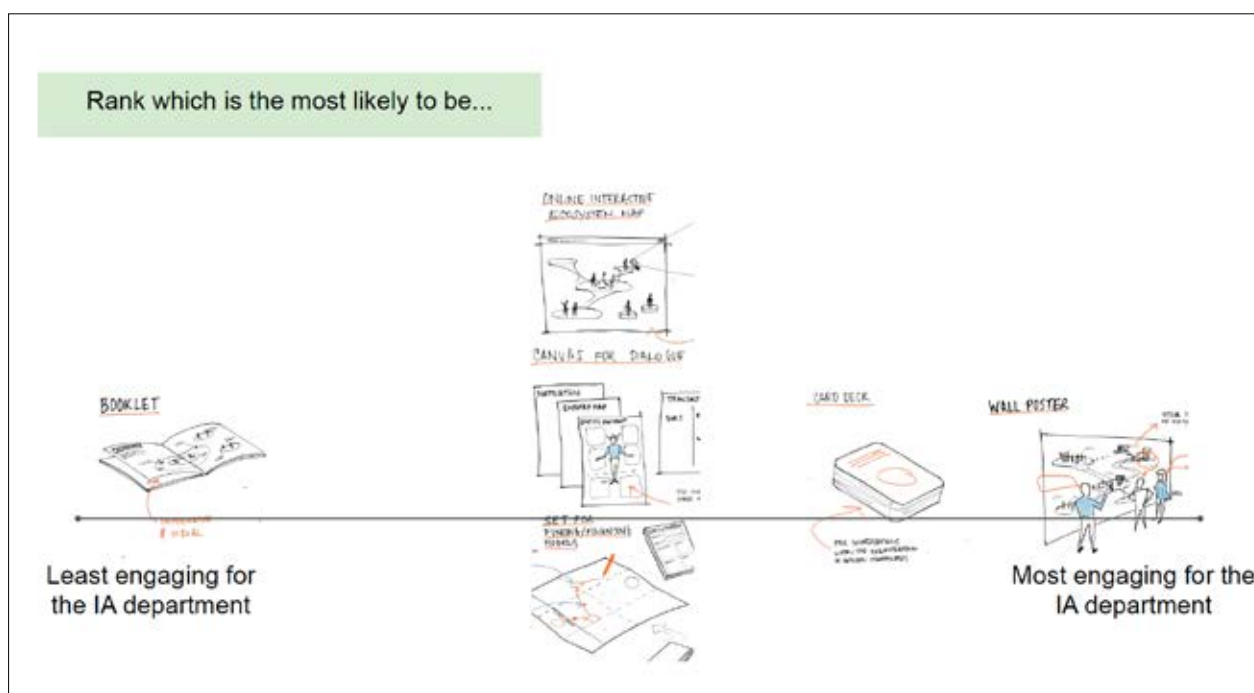
Figure 44: Example of online ranking exercise
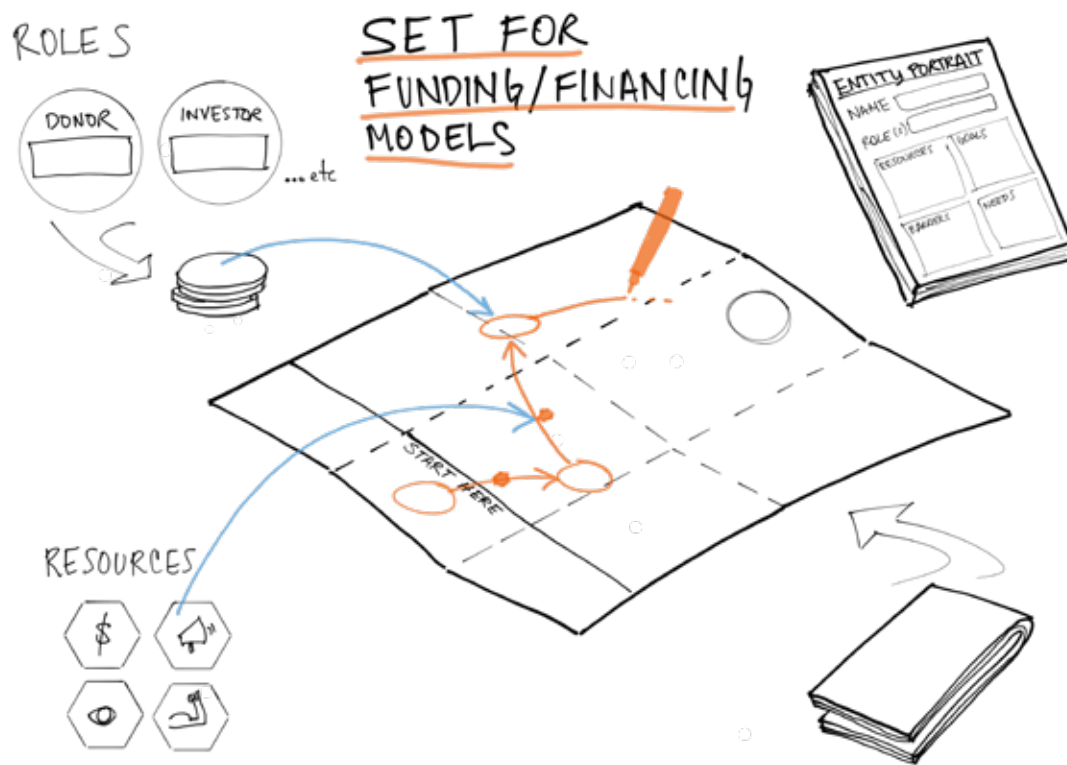
Financing Models Game Set

The '4 key variables' of Financing models I identified could be translated into a gamified set for financing model ideation and development.

Strengths:

Gamification makes it fun and more engaging. The simplification of the variables allows for different arrangements that could potentially end up in novel models. Learning by doing. Prompt dialogue and new insights.

Limitations:

It is a simplification of the variables after all. It requires a certain mindset to engage with very unstructured tools.

Informative ———————● Interactive

Individual ———————● Groups

Exploration ———●——— Definition

Within Org. ———●——— Outside Org.

CANVAS FOR DIALOGUE

MOTIVATION

EMPATHY MAP

ENTITY PORTRAIT

FOR UNDERSTANDING OTHER ACTORS

THINK ABOUT PROBLEMS IN A MORE VISUAL WAY

TRANSACTION CANVAS

GOALS | RESOURCES | NEEDS | GOALS

NEEDS | RESOURCES
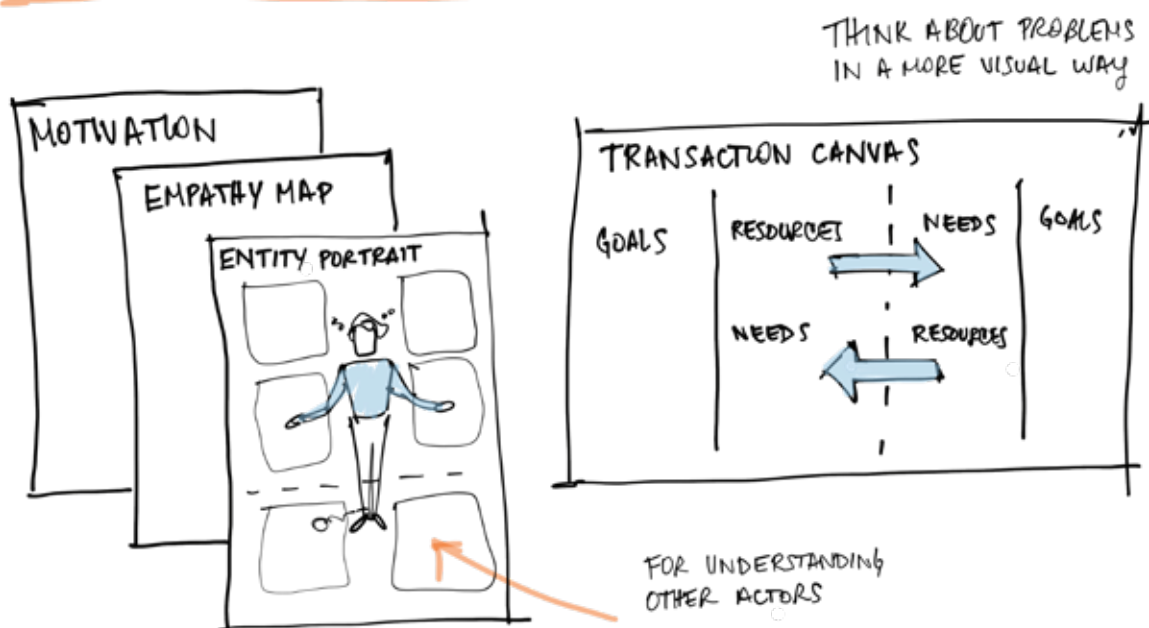
Canvases for Dialogue

The idea here is to develop and tailor some canvases to address key topics of Innovative financing models or trigger conversations between stakeholders. For example, a 'transaction canvas' could ask the representatives of each entity to state their current goals, resources and needs; and later discuss how each other's interests fit together. Or an entity map could aid the IA members to empathize with their partners and prospect donors.

Strengths:

Canvases are widely used in design to organize and synthesize insights; they allow collaborative creative processes. These canvases could really help structure some conversations and generate truly new insights. Also, they could potentially be used by other actors in the ecosystem.

Limitations:

Similar to the game set, canvases require a certain mindset. They are time consuming and are not stand-alone objects, they require a process or to be embedded in a workshop to fully extract their potential.

Informative ———————● Interactive

Individual ———————● Groups

Exploration ————●——— Definition

Within Org. ●——————— Outside Org.

ONLINE INTERACTIVE ECOSYSTEM MAP

OVERVIEW OF ECOSYSTEM

DETAIL OF ACTORS
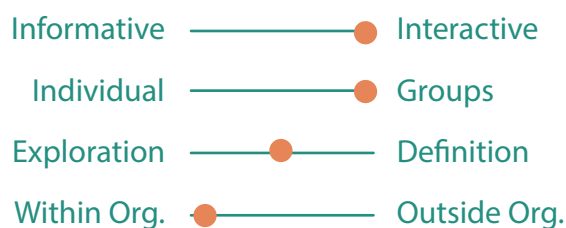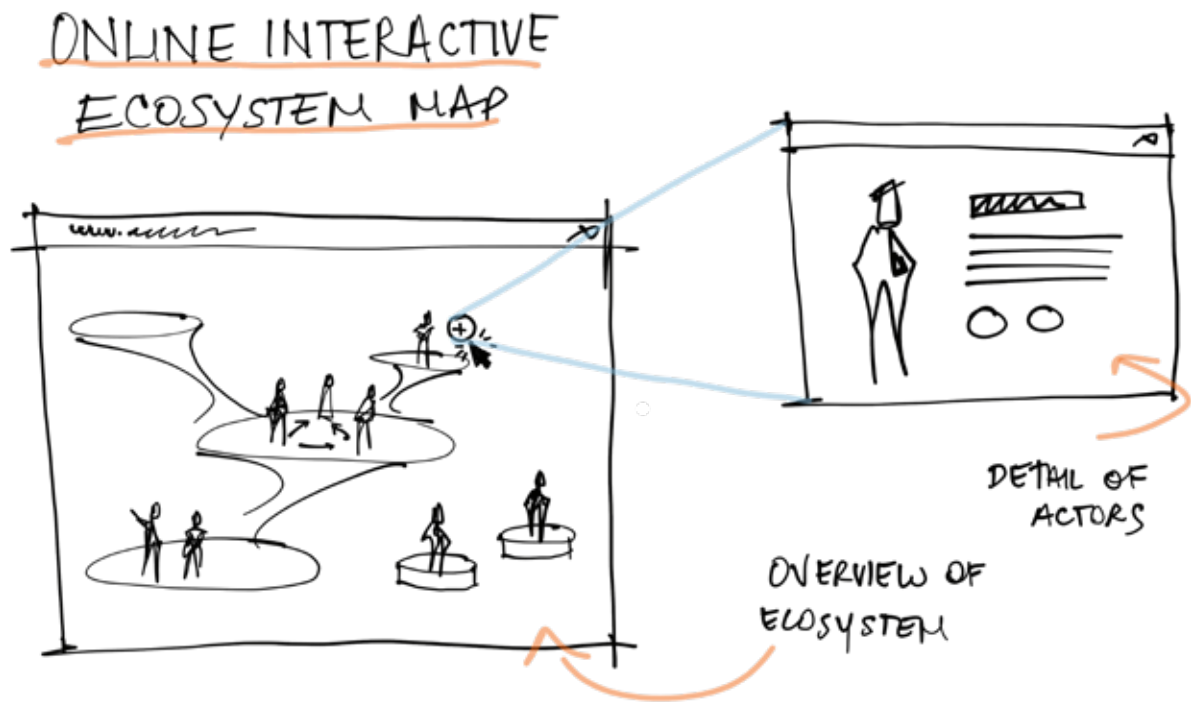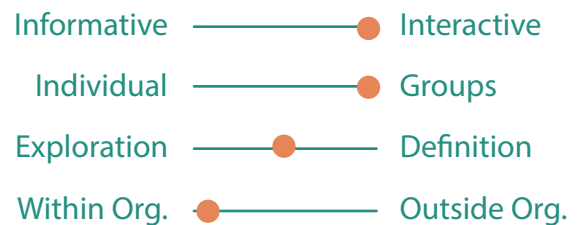
Online Interactive Ecosystem Map

The idea here is to translate the insights of the ecosystem stakeholders and roles into a visually appealing ecosystem map, where you can click around to unveil details about the different roles or relationships.
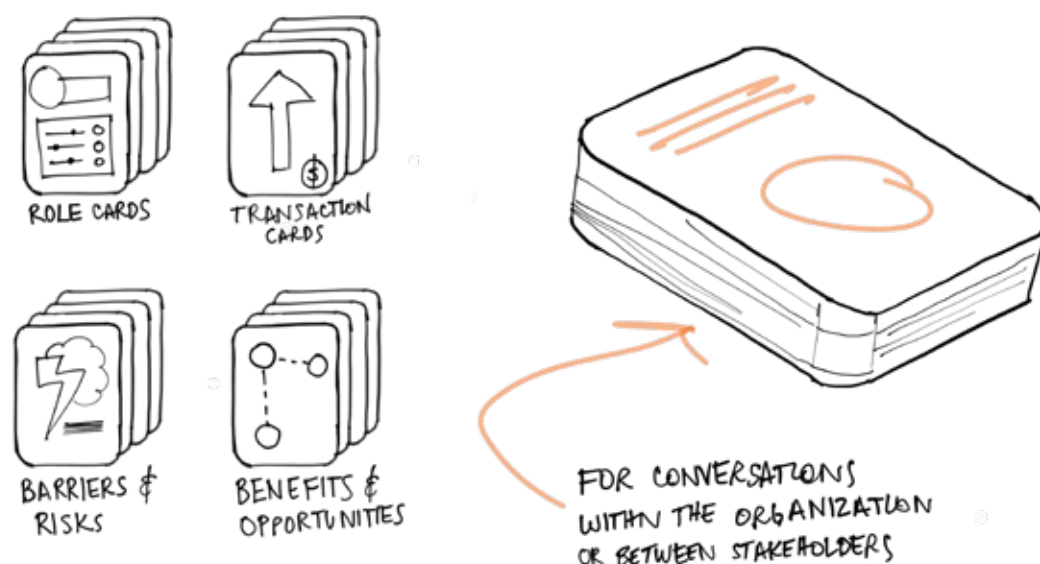
Strengths:

An overview of the ecosystem would be useful to gain clarity; it could provide the players with more visibility and elicit new alliances. Since it is online, anyone could have access to it and could be easily shared.

Limitations:

It would be mostly informational and, as expressed by a user, online thinks require the extra step looking for the link.

Informative	—————●——	Interactive
Individual	—————●——	Groups
Exploration	——●———	Definition
Within Org.	●———————	Outside Org.

INNOVATIVE FINANCE CARD DECK

ROLE CARDS

TRANSACTION CARDS

BARRIERS & RISKS

BENEFITS & OPPORTUNITIES

FOR CONVERSATIONS WITHIN THE ORGANIZATION OR BETWEEN STAKEHOLDERS

Innovative Finance Card Deck

The intention is to translate relevant insights, like barriers and opportunities, into statement cards that would aid conversations, be it within the IA about getting involved in a new finance model, or with other entities.
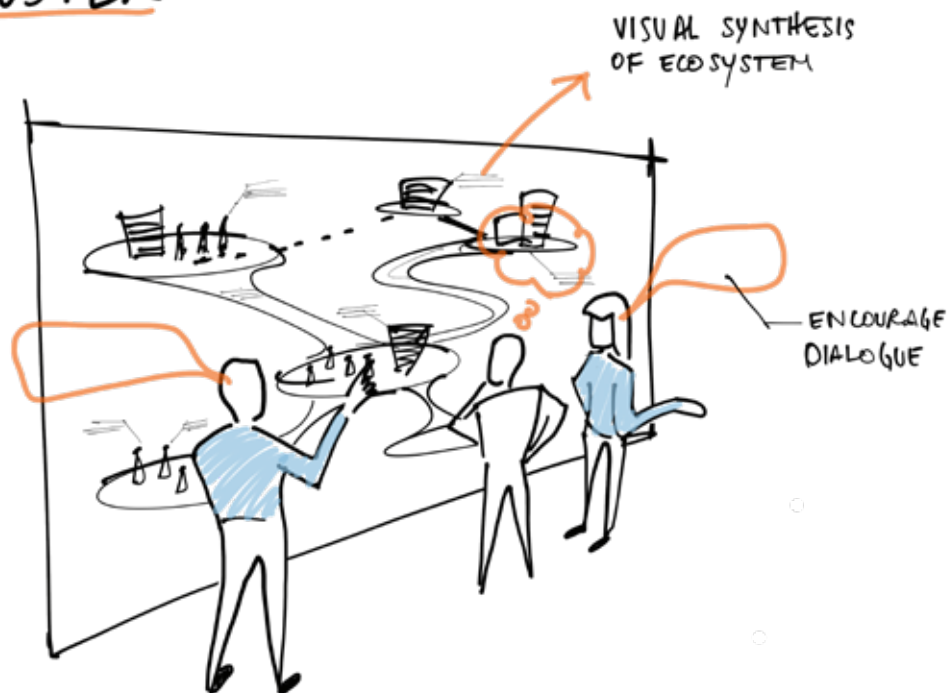
Strengths:

Having a tangible thing to talk about has a potential for enabling very rich discussions. This object could have a more serious note, and therefore be more easily used by "traditional" people. And it has the possibility of having a structured or unstructured use.

Limitations:

It could mislead users into thinking that those are the only things that can be discussed. And it could be quite difficult to synthesize the perspective of different actors into a fixed set of cards.

Informative	—————●—————	Interactive
Individual	—————●—————	Groups
Exploration	●——————————	Definition
Within Org.	————————●———	Outside Org.

WALL POSTER

VISUAL SYNTHESIS OF ECOSYSTEM

ENCOURAGE DIALOGUE
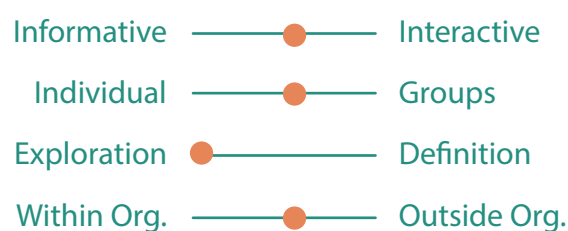
Ecosystem Wall Poster

Similar to the online version, the idea would be to visually represent the ecosystem map, this time, on a wall at HQ where everyone could see it.
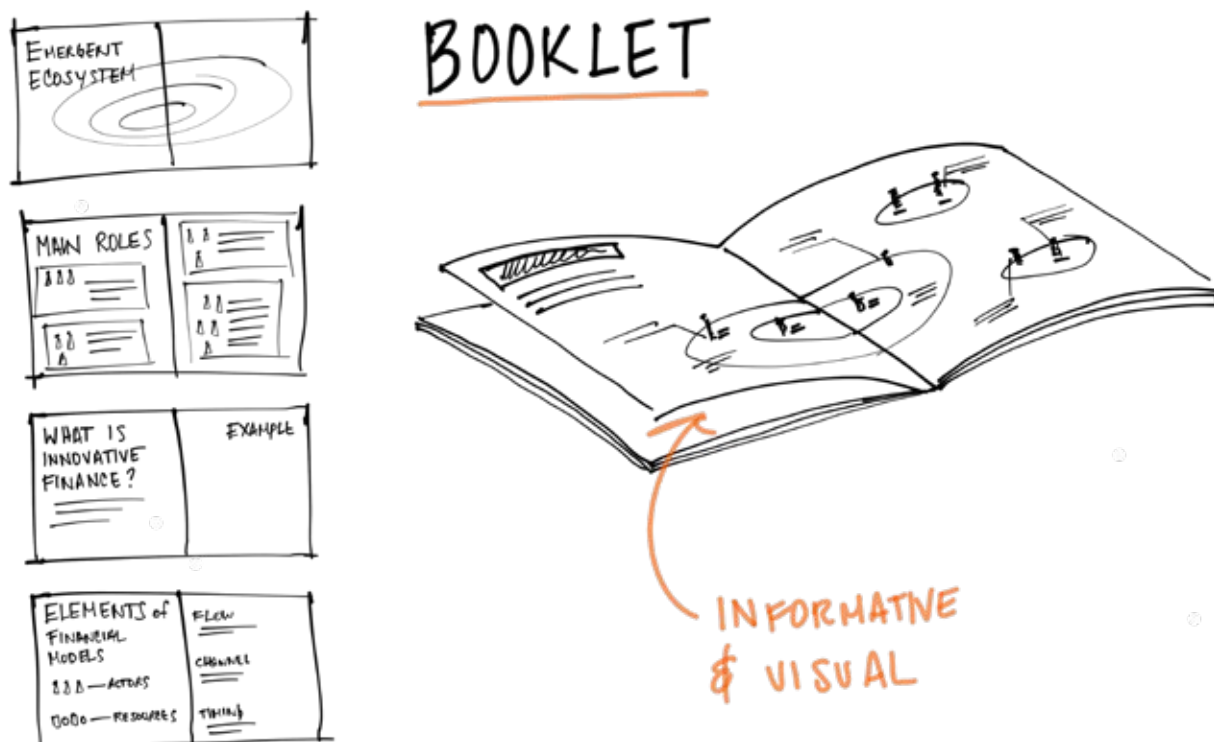
Strengths:

Ideally, it would be visible to everyone, which would encourage people to get informed and interested in innovative funding, and therefore participate in conversations. And having an overview of the ecosystem would bring clarity and perspective. It would not represent a big change in the way of working of the IA members.

Limitations:

It can only be in one place, and it's mostly informative. With no interactive elements, it could become boring after a few weeks. It also risks becoming obsolete since the ecosystem will continue to evolve.

Informative ●————————— Interactive

Individual —————●——— Groups

Exploration ●————————— Definition

Within Org. ———————●——— Outside Org.

BOOKLET

EMERGENT
ECOSYSTEM

MAIN ROLES

WHAT IS
INNOVATIVE
FINANCE?

EXAMPLE

ELEMENTS of
FINANCIAL
MODELS

FLOW
CHANNEL
TIMING

INFORMATIVE
& VISUAL

Innovative Finance Booklet

Since many people is unfamiliar to this topic, an idea was to generate a booklet which contained the most relevant information for the IA members to understand what it is about and how they can use it.

Strengths:

This could be a good media to communicate relevant information in very visual, bite-sized sections. It could be easily moved around and it could have exercises at the end to put the learned concepts into practice.

Limitations:

It is a very informative only object, and since it would be an individual activity, it doesn't encourage dialogue. Also, it risks never being read in the first place.

Informative	●—————————	Interactive
Individual	●—————————	Groups
Exploration	●—————————	Definition
Within Org.	—————●———	Outside Org.
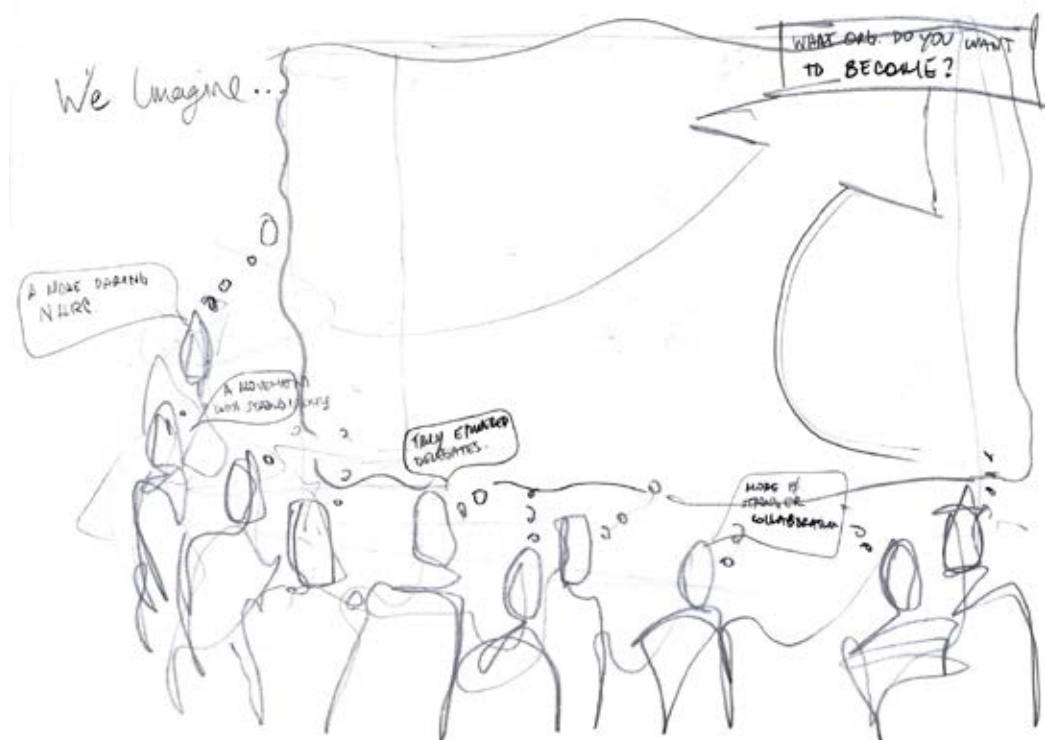
Figure 45: Vision for wall-poster interaction

Conclusion

The booklet was unanimously ranked the lowest in every aspect because it is merely informative, it's used individually, and although it can be shared within the RCRC or with other Stakeholders, it does not incite action. (Plus.. "no one reads anymore")

Online Interactive Map and the Wall Poster were ranked the highest. Although their content is very similar, their different media allows them to be used in very different ways. However, the disadvantage with the digital version is that "online never works in terms of engaging".

Interestingly, the only one member that evaluated higher the Canvases and Game Set, with the argument that these tools would push towards decision-making, turning the conversations into action. While the other members saw these tools as too time-consuming, needs high intellectual investment, and is less adequate for the culture and mindset of the NLRC and close Stakeholders.

The *main insights* from these validation sessions were:

- Distilling conclusions that can be taken into action, as well as explaining other stakeholders their new direction is something they struggle with.

- Flexibility of use, co-creation, and encouraging interaction between people are highly valued features

- Tangibility was also mentioned as something useful and that could help keeping people engaged. And earning by doing is perceived as a good approach for engaging in new topics

- Novelty and playfulness is needed but not easily received. The final object will have to find the balance between introducing a different way of interacting, and not pushing too far away of people's comfort zone: "Novel yet acceptable".

I decided to use the Wall Poster as the main concept because it allows for a "once glance" overview the vision, goals, and barriers in a slightly unconventional way; yet, familiar enough for users not to feel intimidated. Also, it is easy to incorporate features of other
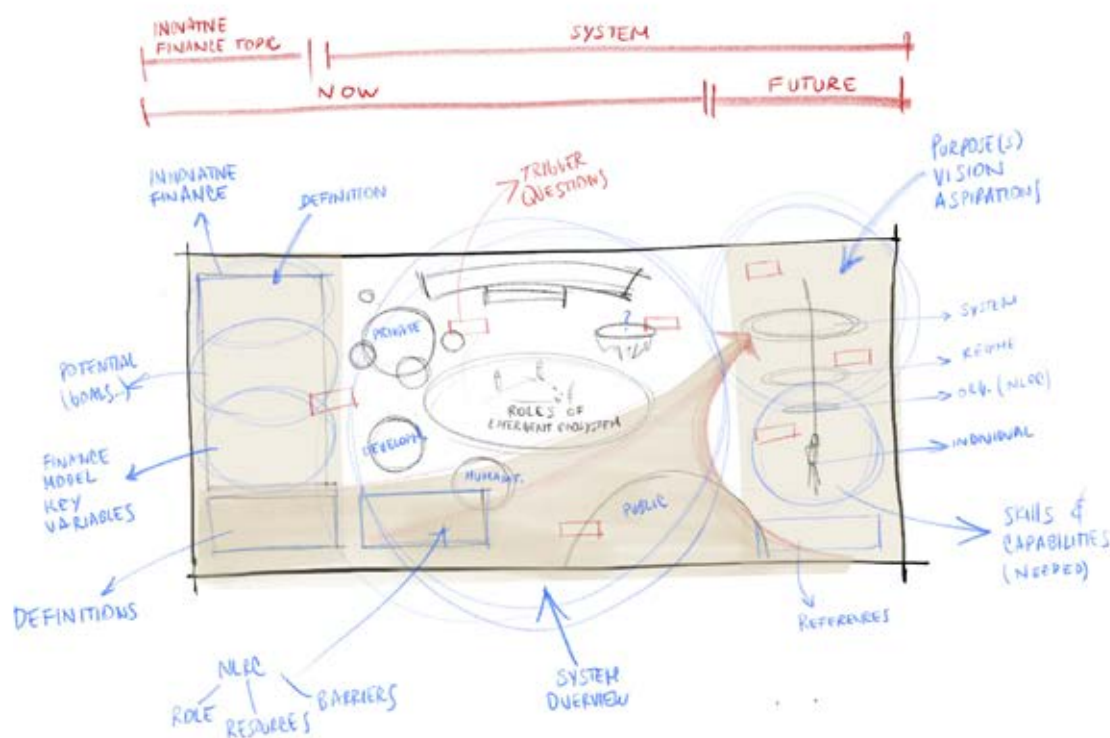
Figure 46: Poster concept, first version

concepts that were perceived as valuable, for example, the idea of using the poster as workshop, or translating it into a digital platform for remote collaboration.

D.2.2 Wall Poster First iteration

Once the type of object and the nature of the interaction was established, the next step was determining what information is the most useful for the users, and how to present it in an engaging way. Through several iterations of sketches, I developed a first version of the wall-poster with the intention of testing it in person and receiving feedback. (see appendix F5).

Content

Thinking of the system maps used in system thinking, I chose to focus on providing an overview of the Emergent Ecosystem for Innovative Finance and the roles that stakeholders could take. I also wanted to provide a bit of background about what Innovative finance is, and visually represent the different layers that can considered when discussing how to engage with IF.

Storytelling

An important tool for engagement is storytelling. In visualization that many times look like an analogy or a specific way the visual space is read. In this first iteration, I focused on a 'space analogy' trying to emphasize with it the idea that stakeholders many times come from different 'planets'.

Visual language

As it was a prototype and I wanted to test the content, I decided to keep a 'sketchy' look to emphasize that it is not a final product, hoping that this would more easily invite participants to draw on top of it and also provide visual feedback. Also, I refrained from using colours to really test the content and narrative.

Feedback session at Headquarters

Fortunately, the COVID-19 measurements were relaxed by July 2020, so I was able to test the wall-poster in person. I observed how 5 members of the IA approached and engaged with the object, and later had a conversation with them to receive their thoughts and

feedback.

The session was successful and provided me with very valuable insights that I used for the final iteration. The main takeaways included:

1. The topic and intention of the object is not immediately understood. The key message had to be clarified.

2. The space analogy is not something they could easily relate with and the story was not understood.

3. The hierarchy of the roles was clear, yet it was not clear what they were meant to do with them or why it was important to have them there.

4. The smaller text and explanations were rarely read, information was too detailed.

5. Dialogue was successfully facilitated and many interesting conversations about innovative finance for the NLRC happened during the session.

With this feedback I went back to my drawing pad and developed the final iteration of the design.
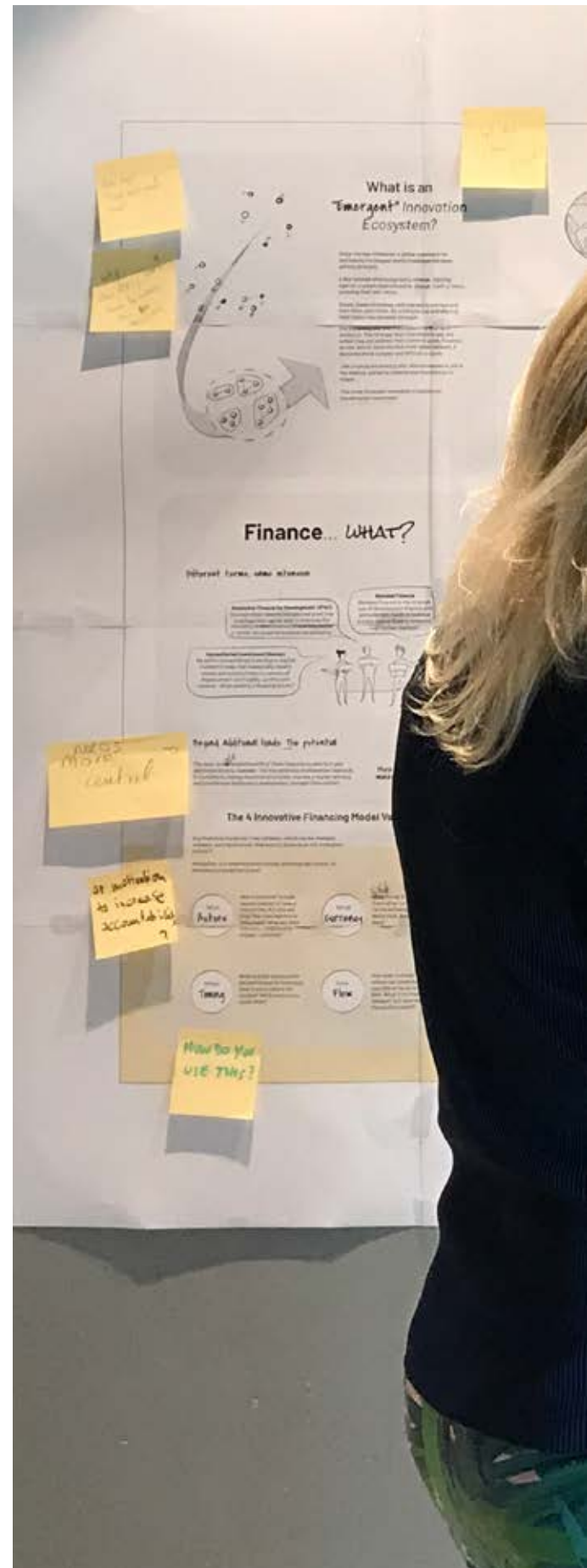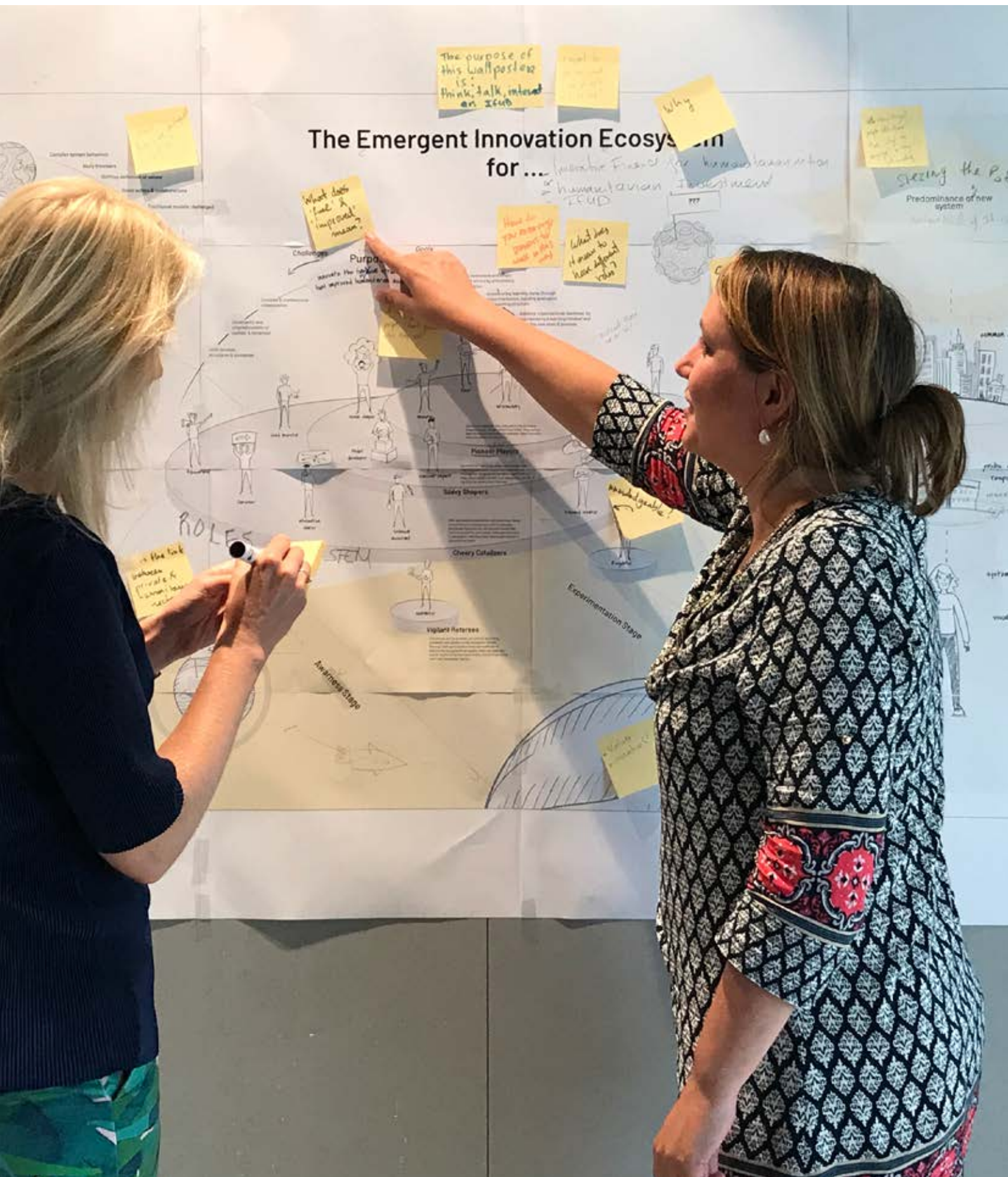

Figure 47: Feedback session at NLRC headquarters with two members of the BD&A.

# D.3 Final Design: A dialogic tool

In the end, all the insights were distilled into a physical object. This section describes the final design of a dialogic tool in the form of a wall-poster, its different elements, and some possibilities of use.

As the output of a six-month research and design process, the final product is a 90x180 cm wall-poster which incorporates many elements in a colourful and playful visualization. It was designed to serve as an engaging display for increasing awareness on innovative finance; its potential, barriers, and facilitators; and the innovation ecosystem that will continue to develop new financing models. Equally important, its second aim is to serve as dialogic tool for the members of the IA and its close stakeholders, to explore together the potential of innovative financing models for their goals, how they can navigate the difficulties, and which role each of them can play.
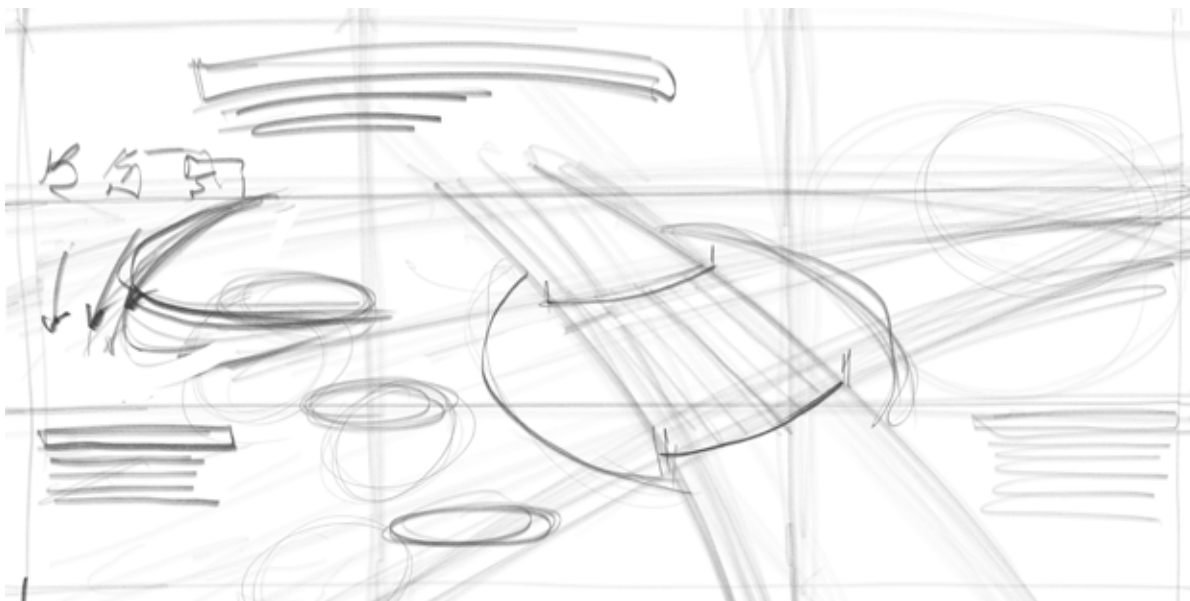
D.3.1 Visual narrative and language

The visual narrative uses a more familiar and relatable analogies: A journey with a coveted destination and some obstacles in-between; and the activity of building a bridge, which requires people to fulfil several roles.

The layout represents this as a diagonal journey, where the actors start at the bottom-left corner and must follow the path, overcoming the obstacles, to size the potential of innovative finance models to help more people in need.

The visual language is informal, using hand-drawn sketches, to communicate a sense of 'work in process' and be more inviting. The use of colour is cheerful and used to call attention to relevant places, the 'destination' or the facilitators for overcoming the barriers, for example.

Also, I guided the design with the 3-30-300 rule, to make sure that in 3 seconds the reader could grasp the topic and in 30 I could communicate the main narrative and key message. The 300 seconds for reading the entire poster might not be true, but the reading was reduced to the minimum from the previous iteration.

3-30-300 RULE

3 seconds
to attract attention and grasp the topic of the poster

30 seconds
to keep the attention and to get your overall message across.

300 seconds
to read the entire poster

D.3.2 Layout and Content

The content of the poster is divided in five main parts: the first one includes the background information needed to understand the topic; the next three are distributed through the 'journey': The obstacles and enablers; the innovative finance bridge; and the vision. And as an extra aid for understanding financing models, I added a simplified version of the variables.

Background information

Part of the design goals was to spread awareness of Innovative Finance and the reasons to engage. This short text explains the problem it addresses and offers a brief definition. It also aims to get rid of the misconception that innovative finance is only to increase revenues and opens the possibilities.

The obstacles and enablers

Here I represent the three main difficulties identified in the synthesis section through an analogy of an obstacle or a task.

Cumbersome collaboration

The tensions and difficulty of collaboration is represented as a wall that prevents people from seeing and understanding each other. A good collaboration enabler is the dialogue and listening skills, represented through the speech balloons, and the idea of working together by constructing a ladder.
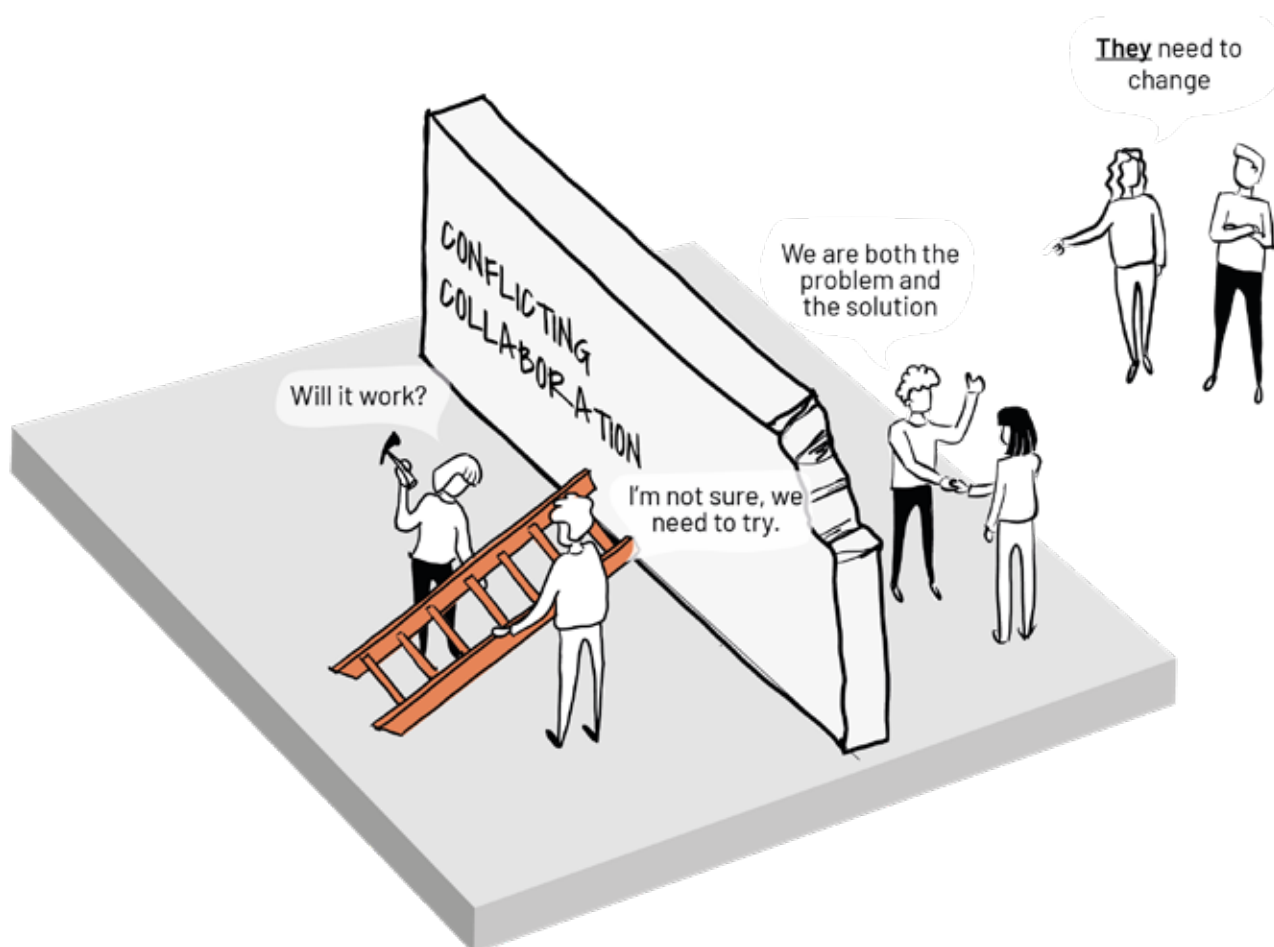
Hesitation & reluctance

The doubt and lack of clarity of weather to engage or not in IF is represented as fog in the way. Here, the solution is to articulate a vision that will attract actors and align efforts; represented with a flashlight powered by the actor's purposes and expectations.

Need for advanced tools to handle complexity and uncertainty

Here, instead of an obstacle, the need is represented by an almost empty toolbox. The colour pencil and thread represent visual thinking and system thinking respectively, and flexometer represents the new metrics that will need to be developed to measure impact.
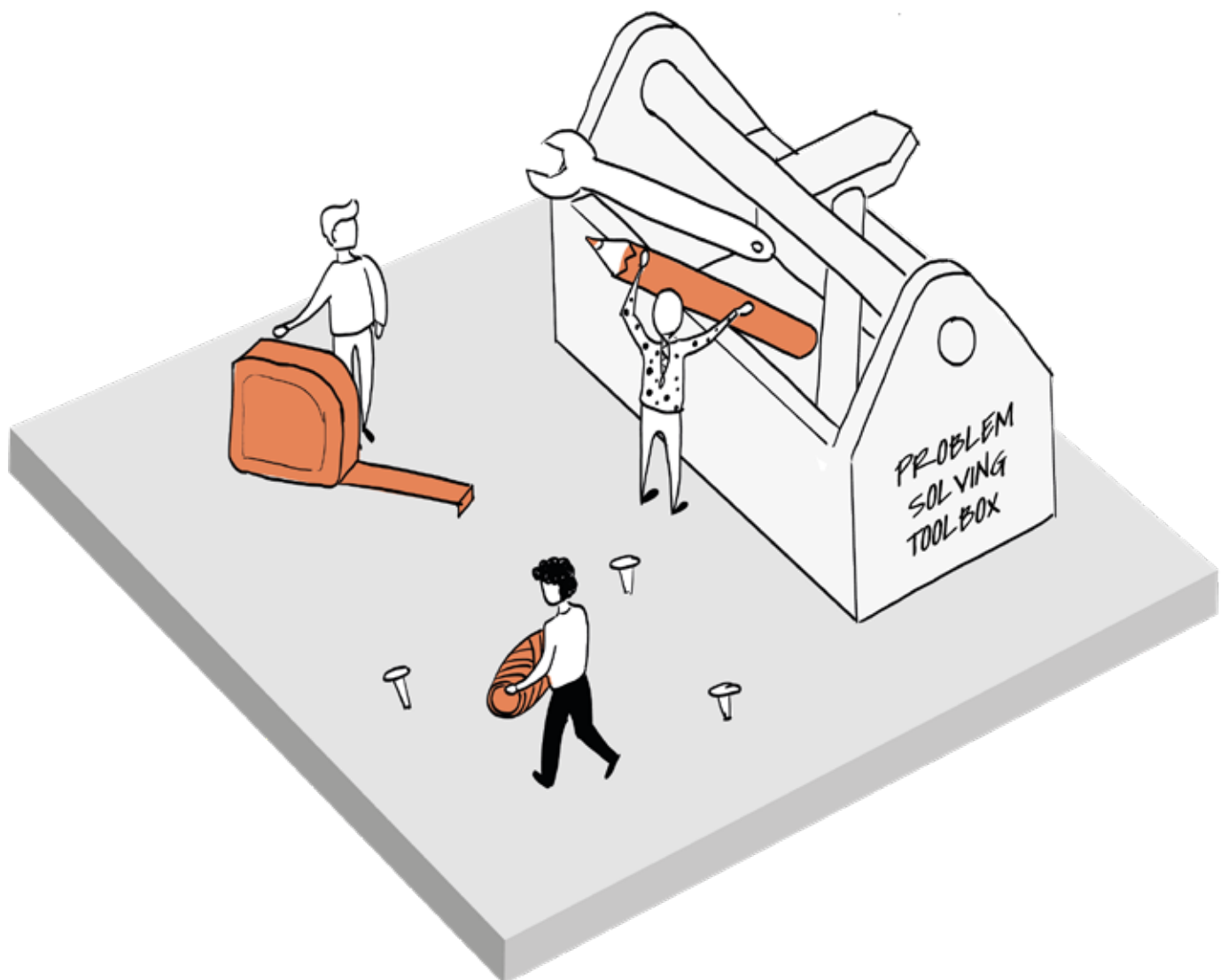
The innovative finance bridge

The main element of the wall-poster is the building of the bridge, alluding to the expression 'bridging the gap". It represents at the same time the idea that innovative finance can help the humanitarian sector diminishing the aid-needs gap, and the platform were the actors involved in IF would gather. As these models still need to evolve to live up to their potential, the bridge is unfinished. The task of the people on it, therefore, is to complete its construction by doing their part to add to the network.

Additionally, I changed the name here from 'ecosystem' to 'network' because it's a word that the RCRC is more familiar with and still communicates the idea of being connected and working together.

The network roles

From the first iteration I learned that the individual function of each of the roles is less important than the main categories. For the final version I simplified the visualization and used colour to accentuate the categories. Another comment was that "people were just standing there", so now each of them has an activity to represent their role and make it seem like they are all collaborating to the same cause.
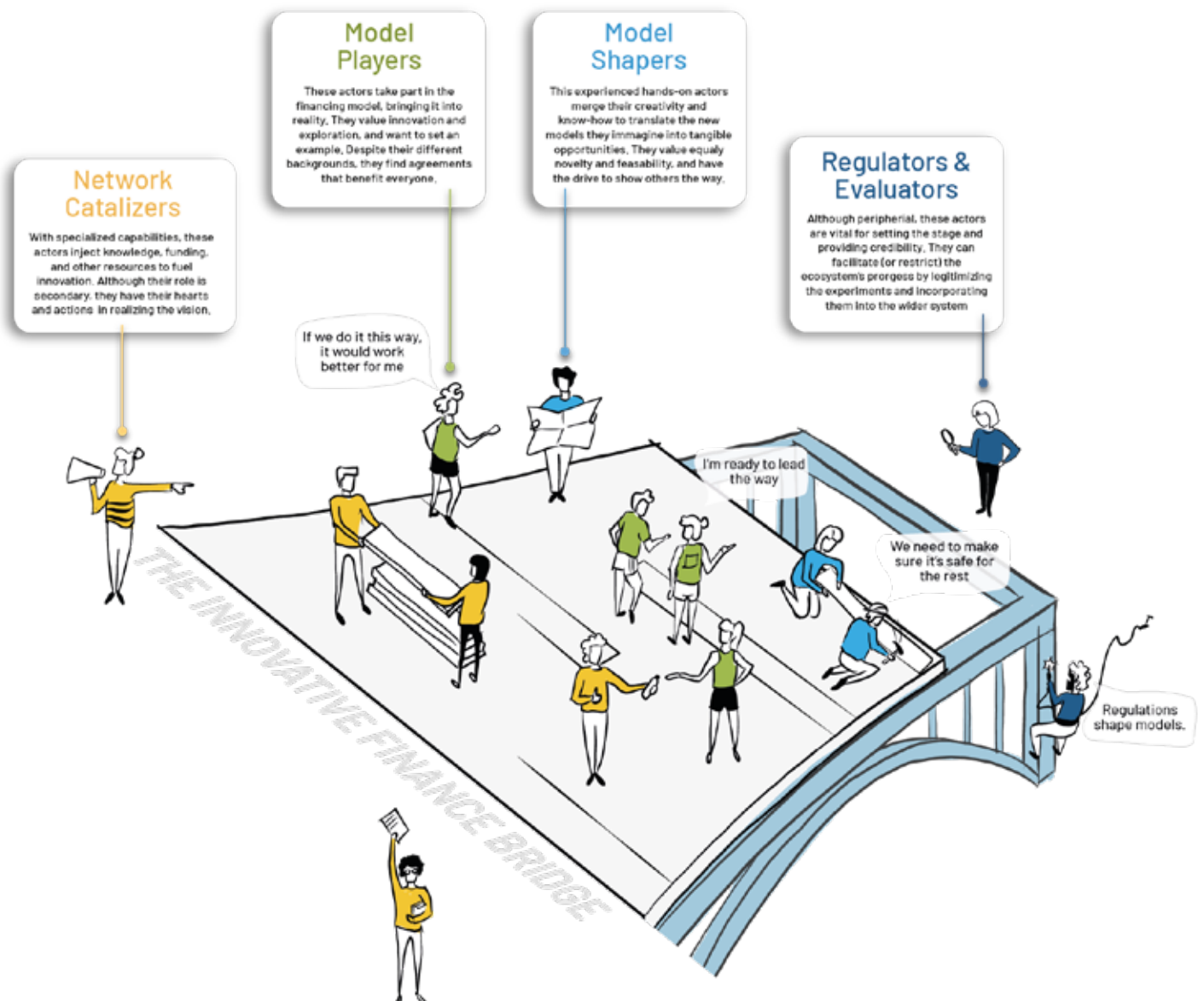
FINANCING MODELS IN A NUTSHELL

An financing model describes the rationale of how an organization or group of them acquire and use money. Any financing model has **4 key variables**, which can be tweaked and transformed.

How exactly depends on the **motivation** for developing the financing model. Is the goal obtaining more money, atracting new actors? or maybe decreasing transaction costs?

Who: Actors

Who is involved? At least two actors are needed to have a transaction, but who are they? What are their interests, conditions to engage, concerns? And what roles do they play?

What: Currency

Money is a must, but are there other currencies that can be exchanged? What about debth, brand equity or data? Is access to a network a currency? What else is in play?

When: Timing

When are the transactions happening and for how long? Does it arrive before it's needed? Will it continue to arrive after?

How: Flow

How does it move? Like a river, money can move quickly through a cascade or be accumulated at a lake. What is its trajectory? Is it delayed? Is it aborved by transaction costs?

The key variables of financing models

Most members of the IA are not familiarized with financing models and they perceive IF as a daunting topic. Although it does require specialized knowledge to fully understand and develop them, I decided to create a simplified version of the variables I identified earlier and to give a small example of how they could serve for representing a model.

The aim of this section is simply to bring down the anxiety barrier and offer users an easy way to understand models. Although this was not tested, my hope is that this will facilitate having conversations with a more colloquial language.

D.3.3 Interaction and ways of use

The final choice of 'tangible object', a large-scale poster that gathered the insights and make them useful, came from seeking a balance between flexibility of use, novelty, and familiarity. It is bigger than a traditional poster because its purpose is not only to inform, but to be used with several participants at the same time.

The possibilities of use I will describe are just some ideas that were discussed with the IA members, but they are not exclusive of other ways of use. In fact, I would encourage the users to explore and develop the ways of use that best suit their interests for each situation.

Showcase for awareness

As a visualization that contains valuable content on Innovative Finance, it can be used as a stand-alone poster, for an event or reunion, where readers would approach it out of curiosity and the interaction would be casual. The outcome of this interaction would be increased awareness of the topic and its elements, and hopefully it would spark interest for further individual research.

Exploration workshop

Another possibility is to use this object as part of a workshop with members from the IA. In this situation, the main intention is to invite the participants to engage with it, spark curiosity in them, and facilitate dialogue aimed to either solving some of barriers they face, or exploring their roles and expectations for engaging in innovative finance. It could be used in combination with a presentation, or a creative session using post-its and drawing boards, or complemented with other canvases such as the Entity Portrait. The design of the workshop will have to be predefined and possibly tested to ensure that the outcomes align with the goal of workshop.

Stakeholder dialogue

Additionally, an important feature is portability so it can be easily transported to meetings with external stakeholders, which could take place in other countries. In this case, the design of the session would be different. The visualization and key words could guide the conversation, focusing on developing a shared understanding of the topic and exploring how the different actors can help each other to overcome their barriers and add to the innovative finance ecosystem.
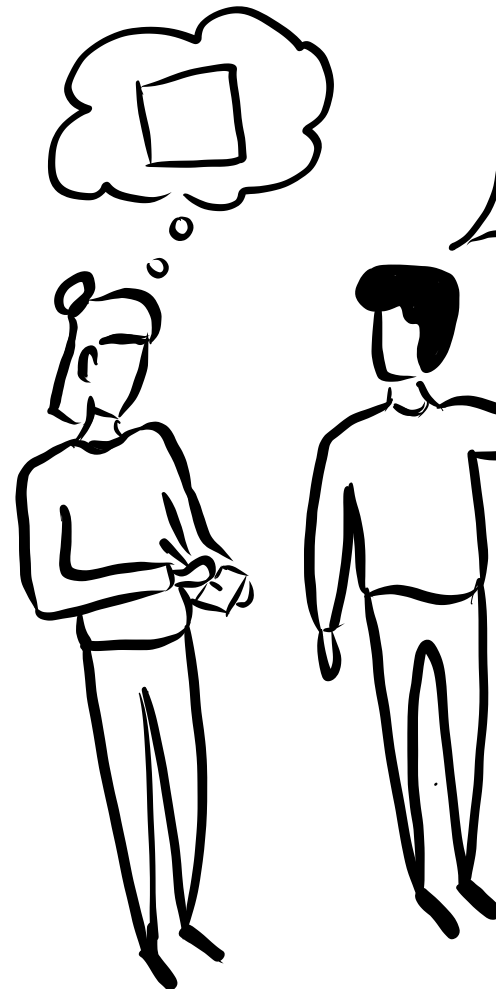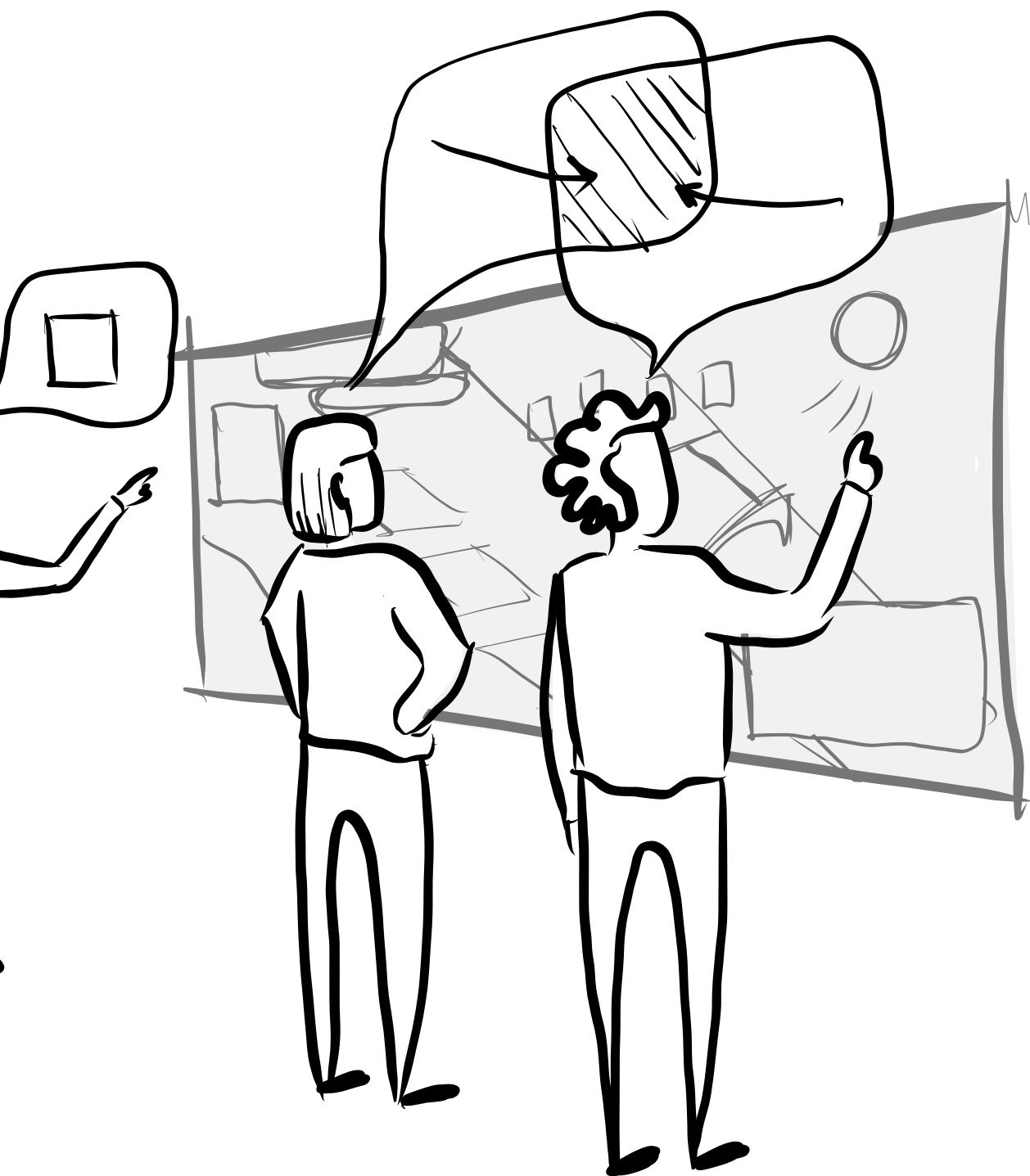
E. CONCLUSIONS

This section present a summary of the main findigs of the process and a brief explanation of the final design. It also dicusses the advantages and limitations of the outcome and presents some final recommendations.

E.1 Conclusions

The aim of this project was to help the NLRC explore Innovative Finance and develop an intervention that would add to their goals.

Looking back, these were the ==*six main insights:*==

1. The humanitarian sector and the sectors that they collaborate with are in great pressure and are witnessing and taking part of a systemic transition towards reshaping the financial structures that fund humanitarian action.

2. Developing successful financing structures is a complex problem, therefore, the solutions cannot be explored as isolated 'product design', or in this case 'financing model design'. It should be analysed and designed within the complex system in which it lives.

3. The entities that are involved in these innovation efforts are coming together to share resources, capabilities, and lessons learned to boost the process. They are part of an 'Emergent Ecosystem for Innovative Financing Models'.

4. Three barriers to their purpose were identified:
    a. Cumbersome collaboration
    b. Reluctance & hesitation
    c. Unfit processes for uncertainty and complexity

5. From disciplines likes transition management, systemic innovation, system thinking, and business model design, three key solution areas were identified which offer recommendations an methods to overcome those barriers:

a. Build and nurture social networks
b. Articulate problem field and shared visions
c. Adapt mindsets, processes & structures

6. The Netherlands Red Cross, as a key player in the humanitarian sector and as part of the 'Emergent Ecosystem for Innovative Financing Models', is considering taking a more proactive role but is still hesitant.

With this information, a design challenge was crafted: 'Design an intervention for the members of the NLRC's International Assistance department in a way that increases awareness, sparks interest on the topic, and facilitates dialogue." And a design process began.

The first concepts help identify to most effective and engaging tools that could address the design goals. Through validations sessions, I discovered that the final object had balance the type of interactions that the IA team and other stakeholders are familiarized with, while introducing and engaging and slightly playful element. Another important consideration was the flexibility of use; groups and interactive activities were valued over individual and informative ones, and the possibility to use this tool in different settings and different people was also very relevant.

The final design is a 90x180 visualization that comes into reality as a vinyl wall-poster. This object has a double purpose, first, to increase awareness on the topic and establish basic knowledge background, and second to serve as a dialogic tool for members of the NLRC and

other stakeholders to have conversations on what is their vision for these models, how to seize their potential, or how to overcome the barriers they face.

Advantages

Visual language

Personally, I am an advocate for visual language because it helps me think and communicate. But it has become a legitimate discipline: visual thinking. It offers many advantages, especially when aiming to understand complex systems or problematics.

The use of visual a visually attractive design will call the attention of participants and feel inspired to dive into the details of the poster. It also provides a shared language; words and concepts can be understood in many ways, visualizations contain all those different understandings in one. Beyond that, the use of visual analogies provides makes it easier to understand and more memorable.

Tangibility

Given the 'remote work' situation, it was discussed that perhaps a digital media was more practical. However, we decided that the tangibility of a physical object would anchor people and enable better engagement and participation.

Flexibility of use

As flexibility and portability are valuable attributes for the users, I developed this tool with the possibility of using it within different settings (described in section xx). In this way, the poster has the potential to inspire workshops and activities that adapt to the specific needs of the specific stakeholders involved.

Through the design process I aspired to portray the most relevant insights of the research and not only tell, but show, how visualizations are powerful tools for addressing complex problems. Through this tangible object I hope to offer an example of how strategic design

can provide clarity and engaging tools that can help people explore new opportunities and develop a path towards them.

Limitations and further research.

Of course, it also has trade-offs and limitations.

Interviews

On the one hand, observations and discussions were limited to online media due to the COVID-19 pandemic measurements established by the Dutch government, which impacted the research and design process.

Additionally, given the time and access limitations, the interviews were performed within the RCRC team (with the exception of the MOFA Advisor). These has important implications, especially on the insights regarding external stakeholders because, at the moment, they are a reflection of the RCRC's perception. It would be very relevant to perform further research about their needs, motivations, and expectations to complement this thesis's insights.

Media

Despite the benefits of a tangible object, it also limits it's use, more so in the current situation. The final visualization could be used in digital platforms like miro.com or similar; yet, it was not designed for digital engagement and may be challenging to navigate it though a small screen.

E.2 Final Recommendations

From all the insights and understanding I gained through this process, these would be my recommendations if the NLRC decided to engage in developing and implementing Innovative Financing Models.

1. Before anything, start with the IA's vision for engaging in this topic:
   a. Reasons to engage
   b. Expected outcomes

  c. The roles you could play

  d. What would be acceptable and what wouldn't

  e. Specially, what would it mean for the IA to engage in this for the long-haul.

2. Start the process from a well-defined problem and goals.

3. Make sure everyone involved understands the full range of potential benefits and the 4 variables of funding models.

4. At the beginning, try small innovations:

  a. Adoption of already proven innovations

  b. Not so complex, in terms of structure and stakeholders involved.

5. Build partnership with players close to your ecosystem.

  a. That you already have a relationship

  b. That are in the Netherlands

6. Involve partners from the beginning and start by establishing common ground:

  a. Shared expectations

  b. Shared principles

  c. Shared vision

  d. Defined Roles

7. Use a visual language as a shared language to help understand and communicate the complexity and to build knowledge.

E.3 Addressing the Research Questions

This graduation project started with three questions, in short, these are:

- Do innovative financing models fit the NLRC?

- What models make sense for the future of the NLRC?

- How to bridge the information and experience gap to seize their potential?

When I started, I thought that through a well done research I could find a clear and concrete answer to all of them. Instead, what research showed me there is no answer to the first two questions; or better said, the answers cannot be found, but created. So the answer would be something like "Well.. it depends, what problems do you want to solve with them? And what future do you envision"? I discovered it is not in my capabilities or expertise to attempt answering these questions.

The third question is another story. The research process offered me a variety of ways to overcome the barriers, not only the NLRC is faced with, but the ecosystem it belongs to.

My conclusion is that the development of this innovation trend will not stop; it has already gained too much momentum to stay as niche innovations and will continue to push upwards to get institutionalized. This will happen with or without the involvement of the NLRC. Jumping into the conversation now would allow them to advocate for their interests and co-create the financing models that can help them increase their impact. And through this process develop their own answers for the questions that were left unanswered.

The NLRC is currently initiating its 2030 strategy; it is a key moment for them to explore and determine whether or not to engage in innovative finance, and if so, which role(s) would they play and what are their conditions for engaging.

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