



# Summary Brief

Monthly Meeting – 28 April 2022

## Background

The 3rd Monthly Meeting of the Food Trails Impact Investors Living Lab took place on Thursday, 28 April 2022. The focus of discussion was Food Innovation Clusters. The category “innovation cluster” can refer to a number of things, but based on interventions in our March discussion<sup>1</sup> we treated the term as referring to situations in which *an unusual density of new businesses, practices, and consumption patterns, allows for faster-moving food system innovation and transformation.*

- Those situations are real-world effects of a number of distinct and overlapping forces.
- They can arise organically, over time, due to cultural or political trends.
- They can be the product of public policy and incentives intended to generate better outcomes, which result in a density of better food system actors.
- They can be the focus of a targeted effort by cities, regions, or through public-private partnerships, to create a desired cluster of innovative entities and networks.

Participants discussed their experiences of such dynamic spaces and networks, their hopes for what kind of support can be made available to create successful food innovation clusters, or enabling local and regional networks, and which preferred outputs might be achieved by cities, at the community level or through partnership with impact investors.

As background, we explored well-established definitions and priorities relating to the creation of innovation clusters. Historical observation<sup>2</sup> found a particular cluster may be nested within a wider landscape of associated sectors. In the case of agriculture in France, for instance, seeds, livestock, intermediary and processing industries, retail, bars and restaurants, even shipbuilding and fishing, are all related to the viability, reach, and success of the globally recognized industry.

It is possible to take a quantitative approach to the production chain, listing key sectors and services that facilitate enhanced or accelerated innovation, but it is also important to define the qualitative boundary of the cluster. A culture of common purpose can create more opportunity for an evolving and competitive exchange of ideas, and so lead to more advanced thinking, new business models, and strategies. Understanding how capital aligns with those innovative models and strategies affects the viability of a particular projected area of innovation.

---

<sup>1</sup> Our March discussion is outlined here: <https://public.3.basecamp.com/p/U1cqF9z18YdKtJwaRmHfb3pS>

<sup>2</sup> Verbeek, Hessel. “Innovative Clusters: Identification of value-adding production chains and their networks of innovation, an international studies”. Doctoral thesis, 1999. Republished by OECD. URL: <https://www.oecd.org/sti/inno/2098804.pdf>

Another paper,<sup>3</sup> from 1998, treated the rising global economic landscape as one defined by major sector-focused clusters, described as critical masses—in one place—of unusual competitive success in particular fields. Our discussion considered some of the key elements of this structural approach to markets and investment trends. Among these:

- National policy can support specific investments in enterprise;
- National policy can also direct investment to related research and development;
- New business models arise more easily with this kind of structured, focused support, but structured, focused support is not enough;
- Localization of knowledge, relationships, motivation, and access to operational capability, make innovation economies work.

We discussed some of the values that can be transferred from the structural and operational dynamics of innovation clusters to the challenge of mobilizing impact investment for urban and regional food systems transformation, in today's European context. Some of these include:

- Comparative advantage<sup>4</sup>
- Pace of innovation
- Concentration of talent
- Localization of benefits

Another important comparative insight was the example of a highly technical, highly skilled, innovation cluster that was not previously understood to exist, because it was embedded in a wider landscape of information technology.<sup>5</sup> The co-location of companies, suppliers, and institutions creates the potential for enhanced economic value and sustained fast-paced innovation. That creates a specialized, outcome-oriented everyday momentum.

Turning to the focus of the Lab, and thinking through who has specific responsibilities for creating the optimal conditions for everyday momentum, moving practice and investment together in the direction of desired outcomes, we identified:

- Cities<sup>6</sup>

---

<sup>3</sup> Porter, Michael E. "Clusters and the New Economics of Competition". Harvard Business School, 1998. URL: <https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition>

<sup>4</sup> This is a quality of innovation clusters that become hubs for an industry or a kind of innovation. To achieve food systems transformation, we need transformation everywhere, so 'comparative advantage' should be less about one place competing with another and about bringing the resources together needed to help any given place achieve a faster pace of food systems innovation.

<sup>5</sup> The Massachusetts medical devices innovation cluster "discovered" during the 1990s included more than 400 companies and at least 39,000 high-paying jobs. The cluster was not self aware and was not actively promoted, because the concentration of knowledge had come through other related incentives and regional conditions. Only once individuals within the cluster became conscious of the extent of local peers and competitors could they begin to organize effectively to steer more incentives to their tacitly shared mission and thereby cooperate by competing to accelerate the pace of innovation.

<sup>6</sup> This is not a definitive list, but rather a list of entry points for new investment for improved food systems practice and outcomes, in urban settings. We do not define here the scope or menu of specific responsibilities or investment activities aligned with each of these categories of actor.

- Private investors
- Institutional investors
- Practitioners
- Consumers

The sustainability transformation creates different imperatives, which cannot be ignored. Because we need to transform systems everywhere, we cannot replicate the innovation clusters model exactly to transform food systems. One city doing the work for all would not be a national, regional, or global network of cities transformed. This need for everywhere-active knowledge sharing, enhanced capability and accelerated innovation coincides with the networked capabilities of our moment.

### **Comparative qualities between conventional innovation clusters and networked communities that drive and benefit from innovation**

#### Conventional elements

- Critical mass in local area / region
- Value chain localization and integration
- Concentration of talent
- Shared purpose

#### Networked capabilities

- Leveraging of global knowledge flows
- Market beyond the local – digital commerce and social media reach
- Digital financial technology, supply-chain tracking, and consumer awareness
- Urban-digital food-web transformation

## Key takeaways

Whatever the process of change (initiated by government action or developing spontaneously by a group of like-minded people with a vision), the lab identified a common set of success factors including people taking ownership of the problem, agency and engagement of the individual, certain network capabilities to leverage food knowledge and an understanding of the local context, the value chain or the local resources available (circularity) that leverage the food system.

The ability to set priority in goals and the momentum to develop self-funding and entrepreneurship are crucial for city food regions to develop. This process requires a lot of trust between community agents and individual agents in the food system. Therefore, research institutions are important levers of change as they can independently verify impacts.

A certain risk appetite for disruptive market models is important. In past innovation clusters, the importance of the impact needed to be strong enough to put competition aspects aside. Sustainability movements are different from earlier innovation clusters as those success

stories from the past relate only to economic success, not to sustainability. New risks are not necessarily economic risks, still they need to be taken into account. Investors are generally used to deal with risk and therefore good agent of change.

Innovation clusters require a lot of intellectual capital and resources: this poses a challenge for cities, especially with regard to including deprived areas and could lead to massive groups being excluded from innovation, jobs, benefits, etc. City food clusters can benefit from facilitating new collaborations among stakeholders that weren't previously aligning toward healthier food systems outcomes.

Innovation clusters in the past did not have the goal to benefit others, but were economically driven; this is fundamentally different to circular economy. This related to a discussion on who enables or convenes innovation clusters; research institutions were discussed as beneficial actors, without having financial agendas; as they should not have economic bias but benefit to the community. (similar to Sabine's points 2 & 3). These institutions can facilitate innovation clusters to lead behavioural change among food system actors towards a more sustainable food system.

The following takeaways point toward insights, tools and impact strategies that can be followed up for detailed review in future outputs from this Living Lab:

- Digitized stakeholder engagement and information sharing can be a solution to make sure stakeholders have a voice.
- Solutions need to be locally rooted and relevant.
- Innovation clusters as single-focus national or global hubs not perfect model for food systems transformation that needs to happen in communities everywhere, simultaneously.
- Raising awareness, building inclusive systems, mobilizing resources...
- Vouchers can play a role (look at e-RUPI voucher system in India as example) — different level of cost to public institutions, potentially important way to focus resources on start-ups, community business activity, mainstreaming healthy sustainable food options.
- Cultural and multi-cultural integration of practical interventions can be critical to building a wide base of support for new business models and new modes of production and consumption.

## Emerging Questions

1. What is needed to build good city engagement models for food policies? How do we map some of the less visible elements of effective processes for engaging low income / multi-ethnic communities?<sup>7</sup>
2. Can we create new business models by supporting the unlikely coalitions (e.g. bringing together European local farmer groups with Bangladeshi restaurant owners?)

---

<sup>7</sup> This should include behavioural change aspects, and nudges for bringing better options to underserved communities and driving uptake. This could be a good bridge toward the discussion of information needs scheduled for the next Lab meeting. (See end of Brief)

3. Many participants mentioned the “power of the white coat”: restaurant chefs taking agency to improve sustainable healthy nutritious food in the city. What makes an effective healthy food business model successful? How do we finance upscaling of new, creative, health-building business models?
4. Which financial institutions/actors can orchestrate structural food systems transformation through innovations that drive behavioural change among food system actors?
5. What role does supply-chain financing play in determining what kind of food options surround people in their local experience?
6. What policy interventions can support new investment flowing into local (small) businesses that align with healthy, sustainable food priorities?
7. Should the “innovation cluster” concept be reimagined for food systems—not one Silicon Valley, with all related resources clustered in one place, but locally rooted approaches to attracting and sustaining the key value chain actors for a healthy, sustainable food economy?

## Upcoming meetings

Provisional dates and themes for upcoming Impact Investors Lab Meetings:

- 2 June 2022 – Establishing data and information necessities for effective impact
- 30 June 2022 – Policy frameworks and mobilising investments to become solutions for food challenges in cities

## For next time

### **ESTABLISHING DATA AND INFORMATION NEEDS (AND STRATEGIES) FOR EFFECTIVE IMPACT**

2 June 2022 – 15:00-16:00 CEST

One of our conclusions from the discussion of innovation clusters is that food clusters are not driven solely by economic imperatives, but by impact. This session is therefore focused on establishing data and information needs for effective local impact. This session is about what we need to know on the how, what, when and where of impacts. (institutional) Investors often lack the internal resources to assess actions on a programme level. High transaction costs could lead to the exclusion of food investment projects from the investors operating space, when the need is not clear. Investors might rather invest where they can be easily connected towards projects with clear verified impacts, such as solar panels.

Municipalities can deploy “transaction enablers” to mobilise new channels for investment. Through background research, progress reporting and data provision they can facilitate and reduce transaction costs for investors in screening project proposals, engaging effectively in advocacy for food investments and engaging successfully in city projects.

Milan City has mapped the city budget allocated to different food related activities under various budget items, enabled the city officials to determine the potential areas for urban food system investments. In this lab meeting, participants from Milan will introduce this mapping exercise and potential uses of it for investors.

The agenda for the 2 June meeting will run as follows:

1. Review of last Lab Brief (5 min)
2. Introduction to topic (2-3 min)
3. Presentation by Milan Municipality on food budget mapping for the city (10 min)
4. Questions & Discussion (30 min)
5. Initial Takeaways & Next Steps (10 min)

To deepen the discussion, please think about:

- What data is there on the city (e.g. ethnicity, age, income per area, food lay outs, consumer preferences, consumption patterns, health..)
- What do we know? What data is accessible? What are we lacking to effectively reduce costs of investment in food projects? What other forms of mapping are useful?
- What data do you have regarding your area of interest, project or impact you are pursuing? What data do you miss?
- What kind of “transaction enablers” could municipalities use?

Please send any responses, suggestions, ideas you wish to table or discuss, or suggested presentation topics, to the Lab coordinating team at [investorslab@eatforum.org](mailto:investorslab@eatforum.org)