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Roadmap for Scaling Impact Investment in Urban Food Systems

Report from the Food Trails Impact Investors Living Lab
February 2022 - April 2023

## Statement of Purpose

The Food Trails Roadmap for Scaling Up Impact Investment into Urban Food Systems is intended to provide cities, investors, innovators, and small and medium enterprises across food value chains, to make informed and timely decisions that will allow the rapid scaling up of outcome-oriented investment to support transformation and upgrading of food systems. The goal is to serve as a map of the landscape of opportunity, with clarifying insights about the optimal sequencing of specific enabling actions or investable opportunities, along with critical insights about conditions at the community level, public health benefits, and sustainability metrics, as well as safeguards against food price spikes and other transition risks. The Roadmap should evolve over time to include the latest insights from science, policy, finance, and technical business practice innovation.

## How to read this Document

This document is a discussion draft of the Food Trails Roadmap for Scaling Up Impact Investment into Urban Food Systems. It is shared with the aim of eliciting substantive responses and recommendations from participants in the Impact Investors Living Lab. The aim is to produce, by May 2023, a first edition of this Roadmap, which will stand as an outcome of the Lab, and which will invite further recommended innovations and attached recommendations, to be shared through online channels and through implementation networks, including but not limited to the Milan Urban Food Policy Pact.

## Key Messages

* Investing for impact is can best reach scale when there is informal or formal coordination between key actors across policy, finance, and value chains.
* Urban food systems present unique challenges, including the complexities of local food culture and how food environments are shaped and valued.
* The suite of tools for expanding and mobilizing impact investment in urban food systems needs to include policy, finance, and business practice innovation.
* Inclusion is critical—to support small-scale food systems innovators with enabling policies and impact investment, and to ensure accessibility and affordability.

## Defining Investment for Impact

Investing for impact means using financial and business practices to accelerate positive change, while pursuing desired returns on investment. There are critical segments to the cycle of actions that comprise investing for impact, which extend beyond the activities of firms that establish themselves with an impact investing purpose.

* Public policy and incentives shape the investment environment, to either support or undermine the desired area of social and environmental good.
* Public private partnerships make it possible to catalyze wider flows of outcome-oriented investment.
* Community engagement, through spontaneous and coordinated consultation processes, allows stakeholders to identify relevant business activities, and entities that can deploy solutions.
* The banking arrangements available, the overlapping and competing relationships between national, provincial, and municipal governments, and their related incentives and investment portfolios, and the support structure for entrepreneurial culture at the community level, are all part of the investment for impact process.

The impact investor is not best defined as an independent actor, but rather as a strategic partner to a wider community of change-makers.

## Sequencing of Actions for Local Impact

One of the most salient insights, which emerging in the Lab repeatedly, from different perspectives, is the need for sequencing actions strategically over time and across the landscape, to catalyze the delivery of investment for impact. Local circumstances may have significant influence on what sequence of enabling, enabled, parallel and overlapping actions would most rapidly and significantly motivate the delivery of investment for impact.

* In communities that have a high concentration of one or more immigrant cultures, with unique food preferences and practices, policies to drive investment in healthy, sustainable food systems might work best if they also align with wider cultural and geographical dynamics of the communities in question.
* In communities where small community-level enterprises deliver most food system services—including distribution, storage, processing and preparation—a highly localized investment for impact process may do more good, more quickly.
* Financial instruments and investment vehicles anchored in or driven by public procurement practices can be the key to allowing cooperative scaling of localized investment for impact.

Below, we explore these themes and challenges under eight key segments of the food system impact investment value chain:

1. **Impact** – what is it, and how to achieve it
2. **Ambition** – purpose and increase ambitions / goals
3. **Data** – tracking and informing decision making
4. **Policies and Instruments** – to enable change
5. **Products** – financial services, and consumer products, shaping value chain
6. **Scaling** – innovation beyond local actors
7. **Capacity** – across the value chain, across cities but also support for community-level actors
8. **Community** – functionally improve food systems on consumer level

## Impact

**Impact is an overall performance standard** that values positive and negative externalities, along with financial profit and loss. Impact means benefits, specifically: benefits that extend beyond the profit motive of the financial interest in question. A critical step in developing the landscape for attracting major new pools of investment for impact is defining the areas of impact to be pursued.

**Investment for impact is not limited to one kind of investor.** It is not only the small, mission-driven investment firm that qualifies as an impact investor.

* Municipalities and other public authorities are also impact investors. In some cases, investment for impact is embedded as a core principle in their institutional mission.
* Major commercial banks can also be impact investors—either in specific discrete segments of their operations or as a rule, with clear standards set for responsible banking and support for localized or generalized sustainable development.
* Ad hoc institutions such as incubators and accelerators can also serve an impact investing role, depending on how they are structured, funded, and managed.[[1]](#footnote-1)

## Ambition

Ambition can be expressed in terms of clear targets and timelines—conserve 30% of land-based and marine ecosystems by 2030; net zero emissions by mid-century. Ambition can also be expressed in terms of specific improved outcomes for people and communities, which may or may not attach to specific numerical targets. Can we, for instance, transform food systems so that sustainably produced food is available to all people, regardless of income? “All” might feel like 100%, but it is also something broader than a time-bound target; for such an impact goal to be real, the investor will require comprehensive policy support from agencies at all levels, and the impact will have to be sustained over time. It cannot be measured simply at one moment in time.

A food system transformation of that level of ambition would also be substantially different in terms of how ambition and performance are conceived and quantified than an operational target of a specific business. In the work of transforming urban food systems, we must consider both the discrete, enterprise-level kind of ambition and the wider ambition of achieving ongoing and sustained non-financial benefits for the whole population. Municipalities aiming to achieve the optimal combination of these benefits at different scales, through the efficient deployment of investment for impact, are helped by mapping connections between policy, procurement, and practice.

## Data

As soon as we begin seeking wider non-financial benefits through impact investing, we need to attach other kinds of data to the financial datasets drive other financial decision-makers.

Data systems are crucial to this endeavor. Some data systems are privately held or publicly controlled, and may come with proprietary restrictions on access, or a requirement that all data be openly shared. Earth systems science platforms, health data at the level of a city, province, or country, and socio-economic data regarding income distribution, price levels, and other market-shaping factors, are produced and housed within different technologies. The impact investor has a unique interest in understanding how those distinct technologies, performance metrics, and their respective timeframes and periodicities, interact.

There is a critical role for policy to play in rewarding information-sharing and technology and enterprise innovation that make integrated datasets more readily available to smaller start-ups and new entrants into a market where investment for impact is creating new opportunity.Integration of data systems across sectors, regions, time-scales, and technologies is becoming a critical additional service in the healthy, sustainable food system value chain.[[2]](#footnote-2) Mapping of sustainability goals to city budgets, to identify and act on entry points for impact investment into urban food systems, can provide useful, motivational data, along with clarity on which policies can have the most robust enabling effect.

## Policies and Instruments

Policy-makers can create an enabling environment. Policy not attuned to emerging opportunities for impact can hinder the flow of new investment. In the Lab, we have looked at policy opportunities that create incentives, facilitate creation of new financial instruments, shape or invite new dynamics in the local macroeconomy, and which allow municipalities to focus their overall mission and strategy for public service on specific areas of impact related to food systems, including through targeted and impact-aligned procurement practices.

Food policy can be structured to incentivize investment that drives action toward the desired social and environmental benefits. Such policy instruments can attract purpose-driven investment for impact as well as mainstream investment aligned with the desired impacts. To do this, there needs to be coherence and alignment across:

* Mission[[3]](#footnote-3) and strategy;
* Economics at the macro and micro levels;
* Public procurement priorities and practices;
* International and multi-jurisdictional policy cooperation;
* Integrated tracking of performance.

## Products

Scaling up impact investment into urban food systems requires more than money, metrics, and policy; it requires innovative financial services, consumer products, and business strategies—including from small and medium-sized enterprises operating locally and in the wider value chain. The shift in practice needed to achieve real-world impact from food system investments is not the interest or business of any one entity.[[4]](#footnote-4)

* New tools that enable innovative business practices, new modes of performance tracking, including through multifaceted integrated data systems, and a more organized system-wide generation of non-financial benefits, can be produced or inserted at different points across the value chain.
* Each of the areas of planning and decision-making listed above, including statement of impact, ambition setting, data cross-referencing, and public policy, can drive the needed business model innovation.
* There is value in local communities and municipal and regional governments setting up small but innovative actors to succeed, by developing business strategies aligned with local context, needs, and priorities.

## Scaling

The Lab has produced a number of key insights on how to scale small start-ups and solutions that work in a particular community context. This is where sequencing of enabling actions and consistent parallel support measures are most important.

A central insight has been that innovative business models may not be obviously scalable according to existing market dynamics, and may not benefit optimally from subsidies and incentives designed for already tested and dominant industrial practices.

New technologies, like digital wallet technologies, can be crucial for connecting actors across local food systems—retailers, consumers, and the producers, distributors, investors, and policy-makers that shape food environments.

## Capacity

The Lab has identified technical capacity as a key ingredient for the mobilization of food systems finance.

* Capacity to manage investments, to operate in new and innovative ways, even against prevailing market forces, and to deliver intended outcomes—traceable at the community level, the level of policy, which includes national policy, and against planetary boundaries.
* For many small-scale actors, the information and expertise necessary to deliver all of this can be elusive. Even where insights are understood and at work, operationalizing the wider impact tracking will require specialized business models.
* Building capacity is therefore not as much a question of training as of situating the appropriate capacity at the appropriate point along the value chain. This includes the mentality and food culture of consumers, communities, and city-level policy-makers.
* Affordability is a capacity issue as well. Where a community has greater financial means, that community is not only more likely to be able to afford and access healthy, sustainably produced foods; existing financial and banking infrastructure will orient toward supporting businesses that can deliver such food products.

## Community

Communities are where food systems ultimately succeed or fail. Communities surround investment and enterprise with culture, capability, and worldviews that welcome or ignore endeavors aimed at specific positive impacts.

Trust is established and upheld through many hyper-local everyday connections operating at the community level. A community food culture may be oriented toward specific varieties of food, specific cultural needs and priorities, and may be highly or not so highly cooperative in terms of its interactions with predominant segments of the overall value chain. Meeting community-level needs and priorities will make any intervention more viable at the local level, and more durable and scalable at or beyond the city level.

## Examples of Leadership

The Roadmap will present examples of leadership, outlining their overall scope of work, critical barriers and successful innovations, and their connection to the eight thematic areas covered.

**Please provide examples of good practice, or successful impact investment-related activities, from your experience or conducted by others.** Please provide the following information:

* Headline:
* Location:
* Description (100-200 words):
* Investment (amount, projections, impact):
* Links to municipal food policies:
* URL:
1. At the end of each thematic section, we will report on examples considered in the meetings and wider discussions of the Impact Investors Living Lab. Please consider which examples you would like to see included here, or under any of the following sections. You are also welcome to recommend examples of policies, initiatives, business models, or financial or technological innovations, which have not yet been included in our deliberations but might add valuable insights to this report. [↑](#footnote-ref-1)
2. The Good Food Finance Network has begun to outline a technical process for hardware-based and software-based integration of data systems. More information is available at <https://good.ctzn.works/data-cg> [↑](#footnote-ref-2)
3. Mainstream financial actors can become impact investors if there is a clear, overarching mission that they, along with purpose-driven investors and public agencies, can help to implement. Policies, incentives, and other market-shaping tools can be the strategy that aligns everyone with a common mission of sustainable transformation. [↑](#footnote-ref-3)
4. Products and services that can achieve local food system transformation might be: food products themselves, new sustainable business models, as well as distribution and retail aligned with enabling policies and incentives; new small-scale investment vehicles, or vehicles designed to convert large-scale investments into an array of localized small-scale investee opportunities; science and data translation services, and new modes of banking operating through existing conventional commercial banks, with policy incentive and public support. [↑](#footnote-ref-4)