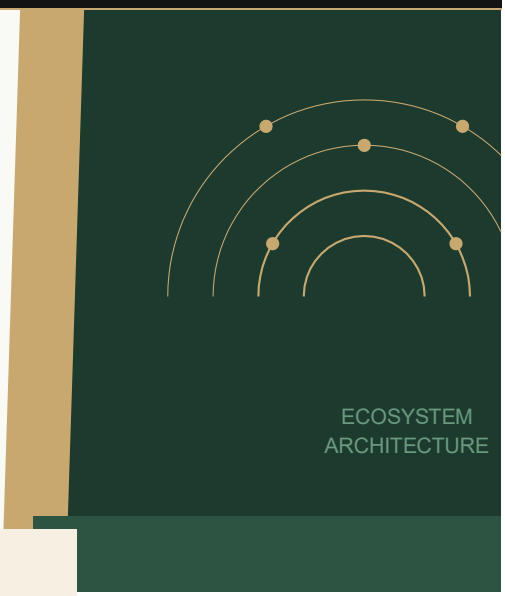
Building AI Ecosystems That Last

The Case for Getting Funding Right



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Innovation does not happen in isolation. Behind every AI breakthrough, every product that reshapes an industry, every technology that finds its way into public services or business operations, there is an ecosystem: a network of researchers, entrepreneurs, investors, institutions, and policymakers whose collective effort created the conditions in which that breakthrough became possible.

This is easy to overlook. The tendency, in narratives about AI progress, is to focus on the visible outputs — the companies, the models, the applications — rather than the less visible infrastructure that made them possible. But ecosystems are not a background condition for innovation. They are its primary driver. And building them well — or failing to — is one of the most consequential decisions any government, institution, or investor makes.

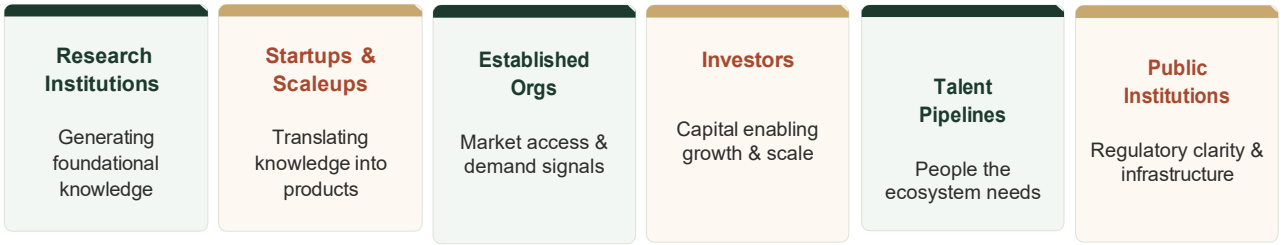
The challenge is that ecosystem building is genuinely difficult. It is long-term work in environments that reward short-term thinking. It requires coordination across actors with different incentives, timescales, and definitions of success. And it demands a sophistication about how innovation actually happens that is not always present in the funding and policy mechanisms designed to support it.

Getting this right matters enormously. Getting it wrong — as many well-intentioned initiatives do — produces ecosystems that look active but generate little lasting value.

1. What an Ecosystem Actually Is

The word ecosystem is used so freely in innovation policy that it has begun to lose its meaning. It is worth being precise.

An AI ecosystem is not simply a collection of AI companies in a geography. It is a set of interconnected actors and enabling conditions that together create the capacity for sustained innovation — the repeated generation of new ideas, new ventures, and new capabilities over time.



The enabling conditions matter as much as the actors. Trust between institutions. Mechanisms for knowledge transfer. Pathways from research to commercialisation. Access to data. Physical and digital infrastructure. A regulatory environment that is clear enough to invest in.

When these elements are present and well-connected, ecosystems compound — each success generating the talent, capital, and confidence that makes the next success more likely. When they are absent or disconnected, investment tends to produce activity without accumulation. Things happen, but the system does not get stronger.

2. The Funding Trap

Innovation funding is essential. It is also, in practice, one of the most consistent sources of ecosystem dysfunction.

The problem is not that funding is poorly intentioned. Most public innovation funding programmes are designed with genuine care. The problem is structural: the incentives and timescales that govern funding decisions are frequently misaligned with the timescales and conditions under which ecosystems develop.

Ecosystems take time — typically a decade or more — to reach the kind of critical mass where self-sustaining growth becomes possible. Funding programmes typically operate on cycles of three to five years, with evaluation frameworks that reward visible, near-term outputs: number of companies funded, jobs created, patents filed. These metrics are not meaningless, but they can actively work against ecosystem health by creating pressure to fund what is measurable rather than what is valuable.

> *The organisations that have built the world's most productive innovation ecosystems have done so by resisting these pressures and making long-term, patient, strategically concentrated investments.*

They have accepted that the returns are slow to arrive and difficult to attribute. And they have maintained commitment through the long middle period when activity is visible, but compounding has not yet begun.

3. The Coordination Problem

Even where funding is well-designed, ecosystem building faces a second structural challenge: coordination.

The actors whose collaboration is necessary for a productive ecosystem — universities, startups, corporates, investors, government agencies — have different incentives, different languages for describing what they do, and different definitions of what success looks like. Left to their own devices, they tend to operate in parallel rather than in concert. Research institutions produce knowledge that does not reach entrepreneurs. Entrepreneurs build products that cannot access the public sector markets where their solutions are most needed. Investors deploy capital into sectors where returns are clearest, which is not always where innovation is most valuable.

Bridging these gaps — creating the connections, trust, and shared understanding that allow different actors to collaborate productively — is one of the most important and least glamorous functions in ecosystem development. It requires dedicated effort and, crucially, dedicated institutions: organisations whose primary role is to facilitate collaboration rather than to produce their own research, products, or returns.

These bridging institutions are consistently underfunded relative to their importance. They are harder to evaluate than research outputs or commercial returns. Their contribution is often invisible — the meeting that led to the partnership, the introduction that led to the investment, the shared framework that allowed a public institution and a startup to work together for the first time. But ecosystems without them tend to remain fragmented, regardless of how much capital flows into their component parts.

4. Innovation That Reflects Its Context

There is a dimension of ecosystem building that global AI conversations tend to underweight: the importance of context in shaping what innovation is valuable and what is viable.

The dominant narrative about AI innovation is largely written from the perspective of a small number of highly developed markets — primarily the United States, the United Kingdom, and parts of East Asia. The ecosystems that have emerged in these contexts reflect their specific conditions: deep capital markets, mature research institutions, large domestic technology markets, and regulatory environments shaped by decades of digital industry development.

These conditions do not exist everywhere. And the assumption that the innovation models they have produced can be straightforwardly transferred to different contexts is one that the evidence does not support.

Building productive AI ecosystems in different national and regional contexts requires starting from an honest assessment of what those contexts actually offer — the industries where AI can create immediate, locally relevant value; the institutional structures through which innovation can most plausibly be channeled; the workforce capabilities that exist and those that need to be developed; the regulatory and cultural factors that will shape adoption.

This is not a counsel of lower ambition. It is a recognition that the highest-impact innovation in any context is the kind that is designed for that context, rather than imported from somewhere else. The most exciting AI ecosystem development happening globally right now is not taking place in the established hubs. It is taking place in the organisations and governments that are building something genuinely fitted to their own conditions — and in doing so, producing insights and approaches that the established hubs are increasingly looking to learn from.

5. From Funding to Flourishing

The shift from funding innovation to building an ecosystem that flourishes over time requires a different set of commitments from those that typically govern public and private investment in this space.

Patience	Maintain investment through the long middle period before compounding effects become visible, and resist the pressure to redirect resources towards faster, more attributable returns.
Strategic Concentration	Accept that spreading resources thinly across many interventions produces less ecosystem
Connective Tissue	Fund not just the actors within an ecosystem but the institutions, mechanisms, and relationships that allow those actors to collaborate, share knowledge, and build on each other's work.
Context Sensitivity	Design ecosystem strategies that reflect the specific conditions, assets, and constraints of the environment in question, rather than replicating models developed for very different contexts.
Honest Evaluation	Measure ecosystem health not just by the volume of activity it generates, but by whether it is developing the structural conditions — talent depth, capital availability, institutional trust — that make sustained innovation possible.

6. The Compounding Logic of Ecosystem Investment

The most powerful argument for getting ecosystem building right is also the simplest: ecosystems compound.

A well-functioning AI ecosystem does not just produce innovation today. It produces the researchers, entrepreneurs, investors, and institutions that produce innovation tomorrow. Each successful company creates alumni who found the next one. Each research breakthrough attracts the talent and funding that enables the next. Each productive public-private collaboration builds the trust and understanding that makes the next one easier to establish.

This compounding logic is why the difference between ecosystems that flourish and those that stagnate is not, ultimately, a question of how much was invested. It is a question of how wisely — with what patience, what strategic clarity, what attention to the connective tissue that allows different actors to build on each other's work.

The governments, institutions, and investors that understand this are not simply funding innovation. They are building something more valuable and more durable: the capacity for a society to keep innovating, adapting, and creating value as the AI landscape continues to evolve.

That is work worth doing carefully. And it is work that, done well, pays returns that no single investment ever could.