

Narrator: Green Invest Asia examines the role of finance and strong environmental, social and governance criteria (or ESG) to unlock land use investments that reduce climate impacts of agricultural and forestry commodities that we rely on for everyday life. We bring you the inside story on sustainable land use investments in Southeast Asia—what’s working, what’s not, and the green areas in between. This podcast is born out of a sustainable land use project by the same name funded by the United States Agency for International Development, or USAID, which works with investors to support agricultural and forestry companies in Southeast Asia reduce their carbon emissions through climate-smart operations.

[Intro music, then fade under host’s opening.](#)

Christy 0:04 Hi, I'm Christy, Director of USAID Green Invest Asia. And I will be your host today. We're very fortunate to have as our guest for this episode, Eric Servat. He serves as the sustainable sourcing vice president for the Livelihoods Funds, which are impact investment funds designed to improve and preserve agricultural and rural communities’ natural ecosystems. Hello, Eric. (Eric: Hey Christy) To get us started and for those who don't know about the Livelihoods Funds, can you provide a brief overview of the funds’ mandate and history for us?

Eric 0:41 Sure no, thanks a lot. I think, first and foremost, we Livelihoods Venture we've been creating and managing funds with and for the private sector, which means we are not an isolated impact investment, but more, I would say, a turnkey integrator for businesses that really want to generate action through projects as per their SDG. And we've been doing that for 10 years, mostly we're talking about field projects, that have helped by investors offsets their carbon emission through social environmental projects. And or accelerate the transition of their stable supply chain to more holistic and land transformation. And, and the second leg, I mean, the sustainable sourcing was created in 2015.

So that's important. And I think the second principle, which is essential for the businesses and the partners joining our fund is, is that the restoration of natural ecosystem really cannot be achieved according to us without the direct involvement of those whose livelihoods really strongly depend upon nature, land and biodiversity. I'm talking about the rural and agricultural communities, which are really at the core of our projects, and really, the actors of change. And, and it's only because our projects are responding to their most pressing needs and engaging them that we will succeed really in addressing the big challenges of our times.

Christy 2:34 Yeah, thanks for that. And, you know, you mentioned partners joining the fund and being engaged in this kind of shared vision and shared outcome. A theme of these podcasts has been the value of partnerships. And what I think really makes your funding model stand out in the world of blended finance are the partnerships that you have. Could you describe what makes for a strategic partnership from the perspective of the Livelihoods Fund?

Eric 3:03 Yeah, sure. I think if we've managed since 2011 to really engage 21 international corporations, because we've, we've convinced them that it was important, as I said, to work closely with rural communities, but also on the long term. I think the long-term component is essential. And it means we have to be patient. Everybody had to be patient also to strike this partnership. I mean, the corporation, the public partners, and ourselves to align everyone around the impacts—the outcome of the project.

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A strategic, coalition of actors, which are really diverse in livelihoods works because we've managed to really balance beneficial results for everyone. I mean, for businesses, like the one you can see on our website, it's the food industry and cosmetic industry as well. It means sharing costs and risks with suppliers and connect their supply to upstream farmers.

And we've been, for example, able to do that in the Philippines with Franklin Baker and the coconut supply chain. For communities and farmers it's-a strategic partnership if you can demonstrate that it's going to enhance their livelihoods. And mostly we do that in helping them on their farm viability, and also the natural environment on which that depends. Like, for example, in Thailand we've helped with Mars' rice farmers to increase their net revenue by 40%. And save water and production costs by 50% so, but that's important to really embark the farmer and, and this has been possible also because the third leg the field implementers with which we work. I think they can deliver on that mission.

I'm talking about not for profit in the Philippines IRDF [Integrated Rural Development Foundation], which is really helping us strengthen farm coops and, and promote social justice and gender equality in in Mindanao, which is very important for farmers that used to be trapped in poverty. So that's really, at the core of our project, the strategic alliance and the coalition of actors. Absolutely.

Christy 6:06 The emphasis on patience and working with farm, it does require a certain understanding of the sector in the field. Certainly at Green Invest Asia, we share and subscribe to that idea that sustainable sourcing is a necessary vehicle to catalyze transformational change in land use. Patience is necessary. But I'm curious to your thoughts, Eric, as someone who specializes in sustainable sourcing: Do you think there can be land use transformation without supply chain transformation? And how does your supply chain approach inform the types of partnerships you pursue?

Eric 7:06 Thanks, it's very central question for us. Because the value add, I suppose, of businesses partnering with us and public partners is that we really advocating for a holistic approach. If I take for example, the need for enhancing biodiversity or finding a solution for climate change, it requires a minimum scale. And in general, on a given territory, you've got different land uses. If I take the example of our project in Indonesia, it's a palm project with Mars, Danone and L'Oreal investors and Musim Mas. I mean, from the onset, it was important to work on two legs, I mean, the supply chain action on the farm plots, and also a landscape restoration and conservation work stream.

You mentioned land use, I mean, in Indonesia, especially in Sumatra, I mean there's been different transformation and change into the land use. This has happened in the past 10 years in sustainable sourcing There's really the belief that farmers need to diversify their revenue. And we need also a diverse landscape. And as such, it's good that we convince our partner for example, if we work on 8,000 hectares of palm farms, they're also happy that we diversify the revenues of farmers with cattle, with vegetable and fruit. And likewise, if we want to protect standing forest, it's important we work in on the buffer zone, where precisely having a combination of agroforestry system delivering revenues of food and sometimes timber will really help farmers make a living and therefore protect their forest and, get more benefit from also having a biodiverse environment. So, that's what we try to do as much as possible because I would say our project needs to, to deliver above minimum scale of five to 6000 hectares. So more and more we [are] trying to generate those larger landscape projects. And we're very happy to see that there's been a shift from the private sector being very supportive of that approach.

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Christy 10:20 Yeah. Still following this thread about partnerships, I'm curious about how public funded investment, for example, through projects like USAID Green Invest Asia or other development finance institutions, you know, who have an interest in ~~in~~ the development objectives? How does such support help attract private investment? And why do you think that is? And what role do these public sector actors have, ~~in order~~ to attract private sector investment and cooperation into the projects that you're supporting?

Eric 11:19 Sure. And I realized I forgot to mention the government in the previous example, because one of the reason for actually convincing or having the businesses feeling comfortable in this coalition is that also it gives them the platform to, have a dialogue and fruitful one with government bodies at district and provincial level. And I'll say that on ~~the on~~ the public funding investment, I'd like to mention a specific partnership we're having in Africa with USAID in northern Ghana, and it gives an example of why, ~~7~~ this public funding investment attracted private investment.

In that landscape, we work with Mars and their supplier AAK to help support women that are living in extreme poverty because of dry climate and difficulty to accessing services and market. Those women are collecting shea [nuts] or that is being transformed for making different products. And here, the public funding from USAID, it was really helpful to de-risk Mars and its suppliers, you know, investment in those communities, because it's being used for specifically enhancing food security for those women and to sustainably grow other crops beyond shea nuts.

And why is it important, because, I mean, most of the time, the businesses are buying specific commodities or ingredient, and not necessarily others. But still, I mean, beneficiaries of programs are men and women, I mean-growing a diversity of produces, and it's important to support them on the entire farm especially when the living under the poverty line to support them on different activities. And that's why it's important to have different partners and public one. And we've been, successful and thankful for having 0.7 to one ratio of public private funding, and that's been essential to generate more projects. And again, I mentioned poverty and of course, I mean, farmers have legitimate rights for basic security. And this is in all of our projects, and as well as whilst we explain the benefits farmers will get under the project also ready to put their efforts but also sometimes financial skin in the game. So that, you know, they can develop their entrepreneurship and specific action throughout our project is to strengthen farmers group, small business unit, to make sure that the benefits of our project really continue after we leave, which happens seven to 10 years after ~~we~~ we start delivering training or equipment. So there's really this combination of as you said, public funding, farmer support, and private investment, which, which is a nice, yeah, nice mix. Absolutely.

Christy 15:09 Yeah. No, it sounds. It sounds complicated. And I feel like there's lots of things that could potentially go wrong.

Eric 15:18 Yes. It's complex. Yeah.

Christy 15:22 But you know, you and I, you know, then to think about how you can get these, what are generally very risk adverse corporates, to commit to long-term partnerships, that would be necessary to see this type of a project through. How do you how do you get them to commit? What's the trick, Eric?

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Eric 15:50 Well, I don't know if it's a trick. You're right. Generally speaking with most of us, not only corporates, we all are risk averse, but the reality is the sourcing of ingredients for food industry, has been really under severe pressure over the last decades.

And stakeholders. I mean, they are all voicing concern about, you know, the state of the environment. But I think recently, we've seen that, you know, supply chain were very unstable, volatile. I mean, sometimes you have big disruption of ingredients. And it's also a fact that the current generation of farmers, they don't have access to, credits to make sure their children continue. So there's a lot of social costs. A lot of high-profile FMCG have committed to sustainable approach to procurement, but they're really facing a magnitude of changes that needs to be implemented.

And everybody realizes acting alone is no more efficient. So, I wouldn't say it's easier to convince them. But what they [are] asking us is two-fold. First of all, they're looking for external expertise, in putting complex technical projects in motion, as you say, it's complicated And they like the fact that we can stay with partners close to the field to deliver and monitor.

And second, I they need blended finance vehicles to accelerate transition to regenerative agriculture, or low-carbon farming, which is interesting, because as I said, we,

Eric 17:51-18:03 We started working on (carbon) offsets for multinational. Now it's, it's offset, but it's also inset within the supply chain. So climate change has been really internalized global concern. Today, the procurement departments buyers are really under pressure. And it's difficult to find, you know, cost efficiency and to mobilize also suppliers and that's why they're asking us to do that for them. In a sense, it's easier because thanks to the early movers, you know, Veolia and Firmenich paved the way for, more partnership, and recently than in developed countries, which we've demonstrated that pooling effort could really help solve a lot of issue. We really are moving, towards a pre- competitive approach to solving issues and sourcing ingredient, which is refreshing.

Christy 18:57 And that actually kind of leads me to my next question around, one thing that strikes me about the fund's development, is how it has adapted to the urgency of climate change, and been able to capitalize on some relatively fast-moving trends in terms of corporate sustainability, and overall environment, social governance, ESG issues and commitments, especially coming out of the last two COPs. So I'd be interested to hear a bit more about what's next on the horizon for the Livelihoods Fund and opportunities that you're seeking.

Eric 19:39 No, thanks, Christy. I mean, we're doing our best. (Christy: We all are. We all are.) But it's also important to say that, okay, we work on, you know, a specific share of the sustainable sourcing of our partners. It's important they have choices and many different solution. Indeed, recently, we've been tasked by the One Planet Business for Biodiversity, it's called OP2B, it's a coalition that asks us to lead the design of multilateral initiative. It's building upon L3F (Livelihoods Funds for Family Farming) experience for sure.

But I think this new fund, it's called the Living Farms Fund, L2F, is really aiming at generating and pre financing more Reg Ag (Regenerative Agriculture) and low-carbon projects within committed companies' supply chains. So what we're really putting together is I'd say a larger platform with more companies, more impact investors and public donors to work on a broader scope, and not limited to certain type of farms or developed ~~on sorry, on~~ or emerging economies. No, I think everywhere where it

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makes sense. And I think we are taking a step further into, coming up with an innovative financial mechanism because it's going to be a fund when, at the same time, businesses and impact financial investors will put some equity for long-term projects, which is six to 10 years, which is for some impact investors, a change, especially in agriculture, but we see a benefit for different companies, not only the early sponsors of Livelihoods (Funds) to join and, ~~and~~ benefit from, you know, our tailor made approach in sync with their business goal. What I think is changing, it's fact that, more and more, we are really activating levers to increase the viability of farming units.

And that's great, because here with I'm having in mind projects in the Philippines, where we are linking farmers with rural banks and also some finance investors to, to help take a farmers out of this trap of, you know, the vicious circle, I mean, that meant and, and, and that is a big thing in rural communities and, and I think we can work here if indeed we have more financial partners and business partners able to, you know, to seeing the (whole) farm. Okay, the soil and the produces that are grown, and this absolutely the natural ecosystem around but also farmers, men and women, that need to have a better life, to decrease their production cost and to have really attractive businesses for their children. So today's our goal is to convince more partners to join this L2F fund, work on, you know, I was gonna say innovative model, yes, and no.

Because we are putting soil at the center of the transformation, living soil, because you need to have fertile, of course, soil and ground to grow. That's important. And also, I'm happy to see that, again, our partners, not only the business one, but financial partner, are really asking us how they can help, you know, stabilize the revenues of farmers over the long term. And that's what we want to do. And in 2023, we hope to launch this, new platform and generate more projects and including Asia, of course, where we have some promising pilots, that we'd like to bring to scale.

Christy 24:32 That sounds great. And I think that's telling you know, that you're really able to apply the lessons that you've learned over managing the livelihoods funds for the past few years. And then, you know, being able to articulate what is what needs to be different, you know, having more patient capital, you know, the ability to have investments lasts longer. Over time, and this focus on farmers and farmer finance as a way to help secure the sustainability of these commodities and have more sustainable production. And then of course, you know, hearing you talk about soil. And certainly that is something that comes up more and more these days in regards to low-carbon production, as well as better efficiencies, as well as quality. So it sounds all super exciting. I'm certainly looking forward to the launch in 2023 of this new fund-

You know, we've, we've covered quite a bit of ground today, ~~in the last 40 minutes or so~~, from the start to the supply chain approach, how you've really woven in strategic partnering, and then of course, being able to apply these lessons into this new fund that's being launched. So ~~high~~ a final parting thoughts, anything you'd like to leave our listeners with, as they think about, ~~you know~~, the Livelihoods Fund? ~~What's needed next, where you're going? What What should they keep in mind?~~

Eric 26:12 No, yeah, thanks, Christy. Well, I was saying, I mean, we are a social business, we are composed of ~~asset only, but still~~ a good number of passionate agronomists, foresters, carbon experts, financiers and company managers. What's important for us is to remain agile, for identifying, structuring and supporting projects that are implemented by equally committed and motivated partners. I mean, ~~we have~~ we have for sure ambitions, ~~ambitions~~, and but we are very humble in front of the challenges ~~and~~ and we've taken our time to deliver proofs of evidence that our holistic model(s) did work today,

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and thanks to, you know, businesses and public donors, including USAID, ~~with what~~ we think most of our projects have the potential to be extended, replicated. And, and we hope that, indeed, more private and public partners ~~who~~ could join and especially in Asia, and help us, ~~you know~~, make more projects on rice and coconut on palm, on fruit.... Because ~~Asia~~, Asia, as you know, as is it's got a big diversity and it's ~~it's~~ very critical strategic as a sourcing region for a lot of partners that we work with. So we're very excited. And because today when we launched a new initiative in Thailand and ~~and~~ also in Indonesia, in the Philippines, so all I can say is, yeah, I mean, we welcome more discussions, and sharing, also learnings on projects, because there are things that did not work according to plan but others that, ~~you know~~, that worked better than foreseen, and it's important, ~~indeed to, to~~, to really put in the public domain, the good learnings, we've achieved together and, and to remain hopeful for the great challenges ahead. ~~So thanks for giving us the opportunity, really, and it's, you know, it's it's we carrying on and it's the adventure continued for us, and it's good.~~

Christy 28:43 No, that's excellent. I think that's a great place to close this conversation. I share those hopes, I think your success will be ~~you know, our~~ our success as a global community. So I certainly wish you and your colleagues the best of luck and look forward to hearing the lessons and the learnings as well as the results that come from these new investments and new partnerships. So we have been talking to the Livelihoods Funds, sustainable sourcing vice president, Eric Servat. ~~Thank you all for your excuse me,~~ Thank you for your insider perspectives on building out this fund, the value of partnerships and blended finance in general. For those who are listening, we will continue to bring you sustainable land use investment insights and updates from Southeast Asia in coming episodes. Thank you all.

[Fade in outro music with closing lines.](#)

Narrator: This podcast is supported by the United States Agency for International Development, or USAID, which partners with the private sector worldwide to unlock capital and drive inclusive growth in emerging economies. Learn more at [usaid.gov](https://www.usaid.gov) and [greeninvestasia.com](https://www.greeninvestasia.com).

[Bring up outro music.](#)

Trailer

1. Green Invest Asia is a monthly podcast brought to you by USAID that gives you the inside story on sustainable land use investments in Southeast Asia—what's working, what's not, and the green areas in between. (13 secs)
2. Above sound byte from 18:46-18:56 (10 secs)
3. In our next episode, Livelihoods Funds' director of sustainable sourcing explains how its blended finance funds support corporates' climate goals, and how carbon offsets are becoming insets as climate change hits ever closer to businesses' bottom lines. (20 secs)