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WORLD BANK GROUP

Chairs' Summary Policy Pathways for Sustainable Agriculture

Rome Workshop

July 27, 2023

Policy Dialogue on Accelerating Transition to Sustainable Agriculture

Purpose of the Global Policy Dialogue: Catalyse policy leadership to accelerate transition to sustainable agriculture and food systems.

Objectives

The objectives of the in-person Policy Pathways Workshop in Rome were to learn from the experience of other countries on the below four themes, which were previously identified in our May session. These sessions were complemented by broader discussions on opportunities to raise ambition and facilitate partnerships through the Dialogue itself and in the run-up to COP28.

- 1) Realigning, redirecting, and reforming as needed, public policy and subsidies to incentivize a shift to more efficient / greener use of fertilizers
- 2) Payment for eco-systems services through targeted policy measures and instruments
- 3) Policy measures and approaches to incentivize soil health for sustainable production
- 4) Public policy reforms that incentivize water conservations on farms and throughout the agricultural value chain.

Across these four themes, participants were asked to identify from their own experience:

- Key issues and steps to consider at the domestic level in design and implementation of these policy approaches to sustainable agriculture that meet with 'triple win' criteria: for people, climate and nature.
- Steps and learning from approaches to promote, manage and implement inclusive agriculture and food systems reforms in climate and environmental plans and decision making.
- Opportunities and next steps, where relevant, to attract greater climate finance resources and capacity to support reforms.

Policy Action and Way Forward

A central theme of discussion at the dialogue in Rome was that transition to low emission, climate resilient agriculture practices needs to centre on people and should engage stakeholder at all stages. This recognizes that stakeholders have vested interests, may have a significant stake in existing agriculture production systems and processes or may stand to lose from changes in the short term. Many participants highlighted the importance of stakeholder engagement (particularly working with farmers as opposed to imposing policy on farmers) as beneficial in policy design to ensure feasibility of proposals from those delivering on the ground, understand risk appetite and to support equitable change 'through the valley of transition' to more sustainable practices that benefit everyone.

On **policy approaches to improve the efficiency of fertilizers**, there was a consensus that focusing solely on fertilizer subsidies was insufficient and could be counterproductive. Weak knowledge systems, missing advisory services and the challenge of joining up research with farmers on the ground were highlighted as additional constraints that needed to be resolved. It was recognised that transition will mean different things for different countries; for instance for some countries the challenge is overuse of fertilizers while for others it is lack of sufficient access to and or use of appropriate fertilizers. The importance of focusing on, and monitoring, soil health was a consistent proposal.

Finally, the need to make the policy process inclusive and ensuring good communication with all stakeholders was highlighted as essential for successful implementation.

A variety of policy approaches and experiences were shared by countries during the discussion which included: (i) moving away from focusing only on fertilizer subsidies and taking a more holistic approach which includes offering the right mix of technologies along with the necessary advisory services to prevent overuse, (ii) introducing blends of chemical and/or biological fertilisers to address issues of soil fertility and reduce fiscal burden of subsidising chemical fertilizers, (iii) scaling up precision agriculture by investing in tools and research that support farmer decision-making, and optimising fertilizer use, (iv) improving data systems and setting up digital farmer registries to improve targeting and transparency of fertilizer support programs so that subsidies reach underusers rather than everyone, which results in overuse, (v) moving away from providing subsidies tied to specific crops to incentivize diversification and optimal allocation of resources, and (vi) introduction of regulations and voluntary or mandatory legislation to incentivise shifts to more sustainable practices e.g. on cover cropping, fertilizer use, emissions, and land expansion into protected areas.

The discussion **on soil health** recognised that declining productivity and land degradation are interlinked. Quality soil data was highlighted as one of the key elements necessary to improve the stewardship of agricultural soils. Experience suggests that soil health was an easier entry point for an opportunity to repurpose existing fertiliser subsidies towards soil health as a primary outcome, as farmers better understood the implications of soil health and were more open to adopting practices that directly impacted their profitability.

Similar to the case of fertilizers, countries shared a diverse range of policy approaches to improve soil health which included (i) improving capacity of extension systems to conduct soil analysis, monitor soils over time, and tools to digitise information for analysis and dissemination, (ii) piloting Nature Based Solutions and setting up farmer schools to encourage adoption, (iii) introducing regulations to prevent exploitation of carbon sinks such as peatlands, and providing incentives for practices that improve carbon sequestration such as no tillage, cover crops, etc (although recognising that transition to such practices can take time to see economic benefits and need to consider any short-term support to de-risk), (iv) national soil strategies and mapping to set clear policy direction and (v) linking production support to specific agroecological zones to discourage land conversion for agriculture.

Payments for ecosystems services was highlighted as an effective tool to manage repurposing and incentivize the necessary changes in farming practices and behaviours to transition to sustainable agriculture. Complexity of monitoring, reporting and verification (MRV) of systems was highlighted as a major challenge due to capacity needs and cost, along with the need to have coherence in public policy. Countries shared a wide variety of approaches being implemented which included (i) introducing tradeable biodiversity certificates that businesses can buy, (ii) offering state-subsidised discounts on interest rates for adoption of practices that provide environmental services, (iii) cash transfers to communities and producers for environmental preservation, (iv) upfront grants to incentivise landscape restoration and (v) participatory design within policy framework where farmers were involved in co-design and given choice on support measures to increase feasibility and uptake of support.

Water is a critical input for agricultural production, and climate change-induced weather-related shocks, including droughts and floods, present a significant risk to agricultural production. This is particularly important in water-stressed countries and requires mechanisms that result in efficient water use. Approaches undertaken by countries facing water shortages included (i) establishing functioning water markets to incentivize efficient water use such as issuing water entitlements which can be traded in a market, (ii) building the capacity of small holder farmers, (iii) development of crop varieties that are water conserving, (iv) subsidising investments in irrigation technologies through interest rates on loans, and (v) incentivizing producers to maintain soil cover, either through no tillage, or other farming techniques that improve both soil health and water conservation. Country

representatives also discussed some of the lessons learned through the implementation of water conservation policies, these included having a comprehensive regulatory framework that not only provides carrots (incentives) for proper adaptation but sticks (punishment) for bad actors. Through these policies, simply publishing the names of those that overuse water might cause enough social stigma to hinder their further abuse, while also having further legal ramifications for those that might continue to do so. This balances the cost of enforcement by using public sentiment, which is a far cheaper resolution than forcing overusers to court to pay a fine.

More detail on country experience will be presented in the **Compendium of Country Case Studies** on progress toward policy action.

Challenges and lessons to implementing Policy Changes

Through the Dialogue, policy makers shared barriers in shifting policies toward sustainable agriculture. Particularly in poorer countries, small-holder farmers are extremely vulnerable to the impacts of climate change and biodiversity loss, but also to the impact of any loss in government support. Balancing the needs of small-holder farmers and the risk appetite to change, with the need to attract private investment into the sector for climate adaptation and mitigation efforts was also emphasized. Governments need the institutional capacity to deliver these changes that includes not just technical expertise, but also stakeholder engagement, and the flexibility to adjust policy based on local circumstances. In local communities, the cultural value of certain crops needs to be carefully determined in order to maintain positive relationships between policy reformers and producers. Technology adaptation and implementation was also identified as a challenge, as there are gaps in data at the local and country level, while some technology solutions remain expensive for countries to buy. Participants re-confirmed the need for a Just Rural Transition that takes food security and livelihoods into account and the need to re-locate production and agricultural inputs within planetary boundaries. Food security and sustainable agriculture should not be seen as a trade-off but as mutually supportive and necessary goals.

Key take aways

Several main messages emerged for the policy dialogue.

- Design and implementation of the policies and support needed to accelerate a transition to sustainable agriculture that benefits people, climate and nature is complex, challenging and to some extent context specific. Sharing experiences, tools and learning through guided discussions provides social awareness of what others are doing and can catalyze others to innovate.
- Failing to take action to transform our food system is more costly than taking action.
- Successful reform of policies and public support requires engagement with all actors in the agricultural value chain, including small-holder producers, markets, and transportation services. Policy shifts are more effective when undertaken in collaboration farmers rather than imposed on farmers. Engagement needs to be thought out carefully and consider the needs of those the government is attempting to engage with, for example: will agricultural producers need child-care services to attend an extension service or meeting?, Does our meeting conflict with a busy time for agricultural producers?
- The interconnectedness of the identified policy pathways was emphasized as an entry point for potential policy changes; for instance, “how does soil health impact water conservation?”, or “how can agricultural subsidies for fertilizers be repurposed to focus on more than just production, including issues of soil health, biodiversity and water conservation?”. Taking these issues into consideration together can help to adjust agricultural policies and support towards a more holistic, and sustainable vision. Incentives for soil health and digitisation were identified as common solutions.

- Improving public spending involves more than reallocating fiscal transfers to farmers; it also entails reshaping support through policy measures (e.g regulation, legislation), as net incentives to producers are a combination of public spending and policies. The balance of approaches will be country and context specific.
- Increasing the uptake of innovative technologies and approaches requires supporting farmers in managing the transition risk and a recognition that these transitions can also take time. This could be achieved through increasing access to relevant knowledge, extension services and technologies, and mitigating the financial risk through, for example, compensation and insurance.
- Fostering technological innovation outside of the global north was identified as key for countries to uptake new technologies that might improve agricultural monitoring, including fertilizer application, soil health and water conservation. Technologies produced in the global north are often too costly to implement, and are not adaptive to the needs of local communities.

Forward look: COP28 and beyond

A Policy Dialogue workshop will take place at the AGRF in Dar es Salaam on 4th September to continue to share knowledge and mobilise action on priority policy pathways for sustainable agriculture.

At COP28, the UK and World Bank will aim to maintain momentum to shift agriculture incentives and support to deliver 'triple wins.' The goal is to showcase and deliver increased commitment to design and implementation of the policies needed to accelerate the transition to sustainable agriculture. The World Bank and the UK plan to showcase progress on innovative national agriculture policy reforms that are informed by country diagnostics and have been shared through the Policy Dialogue in 2023. The goal of this showcase is to set out policy pathway guidelines, and draw on these efforts to inform the Agri-Food Systems Roadmap. The Roadmap will set global goals, while the Policy Dialogue serves as a forum for experience sharing and partnerships, supporting countries to shift to more sustainable agricultural policy.

The World Bank, through its FoodSystems 2030 multi-donor trust fund, has awarded grants in the amount of \$75 million to implement innovative options to repurpose policies and public expenditures in 5 countries: Bangladesh, Ghana, Malawi, Mozambique and Madagascar. The new grants will help countries to develop, scale-up, and evaluate alternative repurposing options to generate the evidence to support further agriculture policy reforms that promote innovation, strengthen markets and value chains, and increase investment in the sector to deliver the triple wins of healthy planet, healthy people, and healthy economies.

The Policy Dialogue – both as an independent channel and through other existing fora – will continue to provide a platform to share knowledge and experience, build partnerships, and mobilise action as we jointly seek to resolve barriers and deliver pathways to sustainable agriculture and food systems.