

Global Agriculture Policy Dialogue

East Asia Regional Meeting of the Agriculture Policy Dialogue, Senior Technical Officials, Singapore

Meeting Summary

June 25, 2024

Purpose of the Agriculture Policy Dialogue:

Catalyse policy leadership to accelerate transition to sustainable agriculture and food systems.

Objectives:

The objectives of the in-person Policy Dialogue in Singapore were to engage policy makers to share and learn from country experiences of agriculture transformation in East Asia and Pacific (EAP) region to achieve low-emission, environmentally sustainable rice production. The event was convened in the context of a two-day workshop for the Multiphase Programmatic Approach (MPA) Program on Low-Emission Agriculture Transformation in EAP, being prepared by the World Bank. The overall workshop objective was to foster regional consultations on rice-led agricultural sector transformation to bolster investment and technical assistance through structural and incentive reforms.

The Policy Dialogue session was part of the Global Agriculture Policy Dialogue series, co-convened by the UK and the World Bank, to facilitate learning and partnerships and to build ambition on policy and public expenditure reform, to accelerate transition to sustainable agriculture and food systems. Participants of the Policy Dialogue event were invited to identify:

- Key emerging opportunities for transformation to profitable, low emission and environmentally sustainable rice, including policy actions and/or public expenditure reforms that can help to deliver this.
- Opportunities for delivering the policy and public expenditure reforms identified, including main challenges and key factors needed for success.
- Opportunities and next steps to deliver partnerships, attract resources, and build capacity to support reforms.

Context for East Asia Policy Dialogue:

Aligned with the meeting for the **MPA Program for Low-Emission Agriculture Transformation in EAP** in Singapore, the UK and the World Bank convened this 13th session of the **Global Policy Dialogue to accelerate transition to Sustainable Agriculture** on June 25, 2024. This was the first Policy Dialogue held in Asia. The focus on low-emission agriculture transformation is timely. Rice is a cornerstone of East Asia's agriculture. Cultivated by over a hundred million smallholder farmers, rice is a staple for nearly 690 million people in southeast Asia, making it a critical indicator of food security. Most countries pursue the goal of self-sufficiency in rice production through a variety of direct and indirect support measures, and the sector attracts a major share of public spending in agriculture despite its small and dwindling contribution to agricultural GDP in several countries.

Rice has been important to food security in Asia, where rice production increased from 107 million tons (in milled equivalent) in 1960 to 345 million tons in 2023. However, the increase in rice production has led to a large increase in methane and nitrous oxide emissions. Currently, flooded rice paddy fields account for 16 percent of global agricultural methane emissions and 4.3 percent of global agricultural greenhouse gas (GHG) emissions. Higher GHG emissions increase heat, which in turn reduces agricultural yields, leading to a further intensification of agricultural production and higher GHG emissions in a vicious cycle. The climate in Asia has become substantially warmer and more unpredictable in the last two decades. Rainfall has trended down in recent decades and its volatility has increased. Evidence shows a direct negative impact of climate change on agricultural productivity growth.

Meanwhile, a singular focus of public expenditure on support to rice production has also stymied diversification to high(er) value crops, such as fruits and vegetables, and hindered the gains from supplementing support to rice production with other remunerative value chains.

To address the challenges facing the rice-centric agricultural sector and unlock its potential, urgent action is now required in several key areas, including the establishment of a favourable policy environment. Transformation at scale will mean addressing institutional, structural, and policy-induced barriers that have “trapped” a large proportion of small farmers in low-returns rice production. It will also need action to improve efficiency, relevance and quality of appropriate support and services, including to strengthen research and development, improve infrastructure and market access and to ensure effective support for farmers to transition to environmentally sustainable production practices.

Scene-setting:

The Policy Dialogue was opened by **Tom Moody**, UK Regional Director for Climate and Energy, based at the British Embassy in Singapore, alongside **Julian Lampietti**, Practice Manager for the Agriculture and Food Global Practice at the World Bank. They noted the importance of the Singapore technical dialogue to promote cross-country learning and build partnerships to support sustainable low-emission agriculture transformation in EAP region. They underscored the importance of using the MPA platform to achieve results in preparation for COP30 in Brazil.

To set the context for the dialogue, **Sergiy Zorya**, Global Lead for Public Policies and Expenditures in the Agriculture and Food Global Practice at the World Bank presented the global context for repurposing of agricultural support, opportunities for promoting low-emission rice transformation, and identified key policy and expenditure reforms that can deliver this.

Animesh Shrivastava, Lead Agriculture Economist of the EAP region at the World Bank gave the closing remarks. He emphasized the importance of the Policy Dialogues for the MPA and asked for continued support and engagement on policy reforms.

Policy Action:

With 7 countries participating (China, Cambodia, Lao PDR, Indonesia, Malaysia, Philippines, and Viet Nam), discussion focused on experience, challenges, and opportunities for policy measures to accelerate low-emission agriculture transformation, especially in the rice sector.

Participants were divided into two break-out group for policy action's discussions. The first group included the government representatives from China, Cambodia, Lao PDR, and Viet Nam, i.e., the countries belonging to the Greater Mekong Region and are all net exporters of rice, except China. The second group included the government representatives of Indonesia, Malaysia, and Philippines, who are all large net importers of rice.

In the first group, participants shared a common vision to modernize rice production, build climate resilience and reduce GHG emissions through a shift to sustainable intensification. This includes ambition to improve the efficiency and farmers' access to diversity of inputs, whilst reducing negative environmental impacts of current rice production practices.

Vietnam noted long term efforts to transition to sustainable rice, including the on-going '1 million hectares' programme. Increasingly, new requirements from EU markets for a low carbon footprint in their rice imports is adding incentives to pursue this.

A key lesson is to meet farmers' concern for secure incomes first and foremost: this will be the driving factor for farmers to adopt more sustainable rice management practices. There is strong incentive for farmers to lower input costs (e.g. through choice of fertiliser) where productivity can be maintained or enhanced. Small scale farmers lack resources to invest in infrastructure - another area for public investment and, or supporting farmers to organise in groups to establish and manage irrigation. Public support to deliver a holistic package of technology, training and services was seen as important.

The Vietnam example was seen to prove there is no contradiction between low emission agriculture and profitability. Public expenditure reforms elsewhere could also help to deliver low emission, profitable rice production.

Lao noted challenges faced to modernise the rice sector. Shifting to low emission rice is a relatively new issue on their radar – ensuring that farmers benefit from this through an increase in profits will be key to success. Farmers already pay irrigation fees, setting an incentive for efficient water use. However, revenue collection is low and it is hard to target resources effectively. Government is now trying to incentivize farmers' groups and has started consultation on policy reforms to promote profitable, low emission production.

Participants noted that, other than Lao, water use is very often subsidised and this reduces incentives for farmers to use water efficiently. They suggested that raising taxes on water and inorganic fertilizers could help shift incentives to sustainable production.

In Cambodia, the government is working to build partnerships between rice millers and farmers, as guaranteed market access will encourage a shift to lower emissions rice. In China, access to water can be a challenge – creating incentives to diversify production (e.g. to include olive trees and olive oil production). Government policies to support greening of agriculture include efforts to improve waste management, improved irrigation and repurposing land use subsidies to support: organic fertilizer use, to replace old machinery and to regenerate degraded land.

In the second group, participants shared the experience of fertilizer subsidy reforms.

Indonesia described recent recognition of the high cost and relative inefficiency of the current subsidy program, with the annual cost of more than US\$1.5 billion. They noted new engagement with World Bank on piloting alternative subsidy design, including support to generate soil health information to underpin effective fertilizer use. This is part of the Repurposing Project supported through the WB Food System Transformation 2030 Trust Fund (FS2030), with UK financial support.

Philippines presented the impact of the Covid-19 pandemic on reform of its fertilizer subsidy program. The pandemic encouraged the government to experiment and move away from the physical delivery of fertilizers by the state-owned company, to supporting farmers through e-vouchers and private sector input suppliers. The change worked well, and the government continues with this more market-oriented approach. The fertilizer support program is financed by the fund established for **just transition of rice farmers** following the adoption of the **rice tariffication law (RTL)** in 2019, which reduced the effective rate of market price support for rice farmers. The experience of Philippines in trade reforms and repurposing of fertilizer subsidy program is highly relevant to underpin the reforms in Indonesia. For Philippines, however, participants called for more repurposing of agricultural support towards programs supporting productivity growth, including research, extension services, and innovations.

Malaysia's participant raised the importance of setting realistic targets for rice production, mentioning that the current rate of rice self-sufficiency at 60 percent is considered acceptable for the Ministry of Economy of Malaysia. She discussed the **high fiscal costs of achieving food self-sufficiency** and called for more pragmatic, market-oriented approaches for development of rice sector.

Follow up and next steps:

The participants appreciated the Policy Dialogue and the MPA workshop. A wealth of experience was shared during discussions. For future Policy Dialogues, participants suggested to select several topics, such as fertilizer subsidy reforms, market price support, and scaling up alternate wetting and drying (ARW) technologies for in-depth discussions to deepen experience sharing and knowledge exchange. As co-conveners, UK and World Bank committed to consider this suggestion and what may be feasible to take it forward.

Immediate next steps are:

- Finalize the policy pathway briefing note on low-emission rice, drawing on Dialogue discussions, and sharing it with the Dialogue participants.
- Prepare for Policy Dialogues in Kigali in early September and Rome in late September 2024 to galvanize action on repurposing of agricultural support ahead of the COP30 in Brazil.

Background

Global Policy Dialogue to Accelerate Transition to Sustainable Agriculture

Launched by the UK and the World Bank in January 2021, the Global Agriculture Policy Dialogue aims to build visibility and momentum on policy action for sustainable agriculture. It provides a platform for peer exchange across global north and south, through closed-door workshops for policy makers and through multi-stakeholder events at key international fora, to share experience, facilitate partnerships and mobilise leadership on policy action.

Over 50 countries have participated to date, from 5 continents across small and large producers (e.g. Brazil, India, EU, Malawi, Switzerland and a range of East Asia countries, among others). Products include a Policy Action Agenda launched at COP26 and endorsed by 17 lead countries, Policy Briefs, Chairs' Summaries and country-owned case studies that highlight country experience of policy reforms designed to deliver 'triple win' benefits for people, prosperity and planet.

The Policy Dialogue also engaged with and helped inform the UAE COP28 Presidency-led, Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action; endorsed by 159 countries at COP28. The Emirates Declaration includes commitment to policy action and re-orienting public policies and support.

World Bank Multiphase Programmatic Approach (MPA) Program on Low-Emission Agriculture Transformation in EAP

The objective of the MPA is to transform the agricultural sector by reducing methane emissions, enhancing irrigation systems, improving production ecosystems, and boosting the profitability of agriculture. This initiative is designed to provide a cohesive strategic framework that will guide country-specific actions to tackle the inherent challenges in rice-dominated agriculture, while seizing the opportunities that arise from transitioning to a more sustainable, efficient, resilient, and inclusive agri-food system. The MPA will act as a catalyst for cross-country learning, enabling participating countries and institutions to share insights and innovations in policymaking, program development, and project implementation. It will also encourage collaboration with regional research centers of excellence to facilitate learning and the exchange of experiences- related to country-level policies, programs, and developmental strategies. Furthermore, the initiative will focus on research and innovation in green technologies as well as the development of technical, regulatory, and institutional frameworks necessary for mobilizing carbon finance on a significant scale. Additionally, the MPA will support activities such as analytics, dialogues, and knowledge exchange events that are essential for enhancing policy making. It will aim to repurpose public expenditures to maximize impact and cost-efficiency, and to establish effective regulatory and management systems.