



**SIXTH MEETING OF GMS WORKING GROUP ON AGRICULTURE (WGA-6)
Bangkok, Thailand, 13-14 October 2009**

Final Summary of Proceedings

Introduction

1. The Sixth Meeting of the GMS Working Group on Agriculture (WGA-6) was held in Bangkok, Thailand on 13-14 October 2009, with the theme *“Building Climate Change Resilient Agriculture through Trade in the Greater Mekong Subregion.”* The Meeting, organized and sponsored by the Asian Development Bank (ADB), had the following objectives: (i) to identify critical WGA strategic interventions that address issues on food security, agricultural trade facilitation and climate change; (ii) to review and refocus the WGA priority initiatives under the Core Agriculture Support Program as reflected in the Vientiane Plan of Action; and (iii) to mobilize support from development partners to implement Core Agriculture Support Program (CASP) initiatives.

2. The Meeting was attended by participants from the six GMS countries: Cambodia, People’s Republic of China, Lao PDR, Myanmar, Thailand, and Viet Nam. Resource persons from the Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD), SNV Netherlands Development Organization, GMS Environment Operations Center, Global Organic Market Access Project, Earth Net Foundation and ADB, as well as observers from other development partners, private sector, and individual experts. A list of participants is in Appendix 1 and a copy of the Meeting Program and Agenda is in Appendix 2.

Opening Session

3. Mrs. Dounghatai Danvivathana, Director, Bureau of Foreign Agricultural Affairs, Office of the Permanent Secretary, Ministry of Agriculture and Cooperatives, Thailand, extended her warm welcome to the participants and thanks to ADB for organizing the meeting. She noted the challenges of poverty, disease, hunger, dwindling energy resources, climate change, and the current global financial crisis now confronting the subregion. The agriculture sector which remains as the major source of food supply for domestic consumption and export earnings faces the challenges of agricultural resources deterioration owing to climate change and natural disasters which bear on the subregion’s food stability. Thailand, a major agricultural economy and food exporter, has strong experience in developing alternative energy - particularly biodiesel and ethanol – and aims to ensure a balance between energy and food security. Thailand will use experiences and lessons learned to further strengthen subregional mechanisms and for appropriate application. In the last years of the current GMS Strategic Framework, the WGA needs to seriously study fundamental and potential climate change resilient responses to the changing environment. She expressed her appreciation to WGA’s development partners whose support through technology transfer and capacity building has contributed to the working group’s success.

4. Mr. Christopher Wensley, Officer-in-Charge, Agriculture, Environment and Natural Resources Division (SEAE), Southeast Asia Department (SERD), ADB, recalled the evolution of WGA's activities since its establishment in 2002 and noted that WGA-6 would take stock of ongoing programs and chart the way forward in addressing subregional agricultural issues. As majority of the GMS population live in rural areas and depend on subsistence agriculture for their livelihoods, the agriculture sector remains a key contributor to the GMS Program's vision of a Mekong subregion that is more integrated, prosperous, and equitable. He emphasized the major outcomes that WGA wishes to achieve: update the Vientiane Plan of Action for Agriculture and reprioritize CASP subprojects to make them more responsive to current and urgent issues, and arrive at a consensus on how WGA should move forward beyond the current CASP which ends in 2010. He posed several questions for WGA to consider relating to WGA's plans vis-à-vis the CASP beyond 2010, the new strategic directions envisioned for the agriculture sector, and the prospects of funding from donors. WGA's deliberations and decisions will bear on preparations for the 16th GMS Ministerial Meeting in 2010 and the new long-term GMS strategy for 2012-2022 to be adopted at the 4th GMS Summit in 2011. The changing face of agriculture both regionally and globally requires WGA to adjust its course and continue to enhance collaboration between national government agencies, development partners, and the private sector.

5. Copies of the welcome remarks are in Appendix 3.

6. Mrs. Dounghatai and Mr. Wensley co-chaired the Meeting.

Session I: Status and Progress of the Core Agriculture Support Program (CASP)

1.1. Updates on GMS Cooperation in Agriculture and Core Agriculture Support Program

7. Ms. Sununtar Setboonsarng, Senior Agricultural Economist, Agriculture, Environment and Natural Resources Division, Southeast Asia Department, ADB, briefed the meeting on key developments in the GMS Program. One of these was the 15th GMS Ministerial Meeting held in June 2009. In their Joint Ministerial Statement, the GMS Ministers appreciated developments in the agriculture sector including efforts to tap biofuels and rural renewable energy while taking into account the need to balance these with food security concerns, the completion of an assessment study and plans to prepare a GMS Rural Renewable Energy Project, the progress made on cooperation in transboundary animal disease control and in the Agriculture Information Network Service. A new ADB-financed RETA 6521 on Accelerating the Implementation of the CASP has been approved for \$3.164 covering the period 2009-2012. Other developments in the implementation of the CASP from September 2008 to date consisted of meetings and workshops on topics like biofuels and rural renewable energy, cross-border agriculture trade and contract farming, managing certification for agricultural exports, and exposure to eco-trade supply chain; the publication of knowledge products; and the conduct of an implementation review of the AINS.

8. Forward-looking actions and prospects for the agriculture sector would need to take into consideration key issues and challenges outlined by the GMS Ministers that would shape the next regional strategy for the GMS Program covering the period 2012-

2022 such as climate change, rapid urbanization and demographic changes, economic restructuring in the face of unwinding economic imbalances, focus on renewable and clean energy, and integration of climate change adaptation and mitigation measures and a “low carbon path” project orientation. A copy of her presentation is in Appendix 4.

Session II: Regional Cooperation in Agriculture Trade and Investment

II.1. Cross-Border Trade in Relation to Development of Economic Corridors: Highlights of the Second Economic Corridors Forum

9. Mr. Denis Hew, Regional Cooperation Specialist, Regional Cooperation and Integration Group, Southeast Asia Department, ADB, presented recent developments concerning the economic corridor approach of the GMS Program and their implications on the work program of WGA, particularly with regard to cross-border agriculture trade. While the road links in most of the routes in the North-South (NSEC), East-West (EWEC), and Southern (SEC) transport corridors have been completed, this progress in physical connectivity has not yet been matched by increase in private sector investments in the corridors due to non-physical barriers. Thus, coordinated, focused, and sustained actions are needed to fast track the transformation of the transport corridors into genuine economic corridors. In light of the renewed emphasis given by the Third GMS Summit to corridor development, the 15th GMS Ministerial Meeting held in June 2009 endorsed strategies and action plans for the development and transformation of the GMS corridors into full-fledged economic corridors. Key challenges and important success factors for corridor development include effective transport and trade facilitation, and smooth implementation of the Cross Border Transport Agreement (CBTA) to address the substantial impediments to the smooth flow of vehicles, goods, and people across borders in the subregion. Attracting private sector investments is critical to spur trade and overall business activity along the corridors areas which are endowed with resources that provide a good base for developing production networks that could be linked with global value chains. Finally, there are social and environmental concerns that need to be addressed.

10. It was against this background that the Second Economic Corridors Forum (ECF-2) and the first ever Governors Forum was held back-to-back in September 2009. The ECF serves as the main advocate and promoter of GMS economic corridor development. On the other hand, the Governors Forum, which reports to the ECF, is tasked to raise the awareness, increase participation and secure commitment of the local/provincial authorities to the development of economic corridors. The Governors Forum gave provincial authorities a better appreciation of their role in promoting the economic corridor approach and agreed on the need to set up small groups of provincial authorities within countries to determine specific sectors of cooperation, requirements for support, and approaches to start-up economic activities. ECF-2 outlined common threads among the strategies and action plans for the 3 corridors, including the pressing need to promote and facilitate cross-border trade, tourism, and investment; the need to provide an enabling environment for business, particularly for SMEs, in the corridor areas and to enhance private sector participation and public-private collaboration; and the need to address social and environmental concerns.

11. Mr. Hew emphasized that the agriculture sector has an important role to play in economic corridor development as the sector continues to contribute substantially to the

GMS economies. The strategies and action plans for the NSEC, EWEC, and SEC have taken into account comparative advantages and complementarities among the areas covered by the corridors, and their potentials for subregional cooperation to promote economic corridor development. They also highlight opportunities for cooperation in the agriculture sector, notably cross-border contract farming, agro-industrial zones, demand and supply analysis of key agricultural products and cross-border agriculture resource and market information system, rural renewable energy development, productivity/quality improvement of cash crops, and cross-border agriculture supply chains. He concluded that GMS cooperation in promoting cross-border trade and investment in agriculture will support the transformation process from transport to economic corridors. More importantly, WGA needs to chart new directions for the sector beyond the CASP which ends in 2010 that will feed into the new long-term GMS strategy to be discussed at the 16th GMS Ministerial Meeting in March 2010.

Open Forum

12. In response to a query from Cambodia, ADB informed the meeting about the Mid-term Review of the GMS Strategic Framework conducted in 2007 which assessed the implementation of the sector work plans under the GMS Program and which includes findings for the agriculture sector including the CASP. The results of the Mid-Term Review were reported to the 14th GMS Ministerial Meeting held in 2007 and can be downloaded from the GMS website (www.adb.org/gms). In 2008, a regional cooperation assistance program evaluation of ADB's support to the GMS Program including sector work in agriculture was done and a copy of the report of the independent review can be accessed at the ADB website.

II.2. *Agriculture Trade Facilitation and Investment in the GMS*

13. Mr. Florian Albuero, Consultant, Agriculture, Environment and Natural Resources Division, Southeast Asia Department, ADB, presented the findings and recommendations of the study on GMS Agricultural Trade and Facilitation Strategy commissioned by ADB for WGA. The study traced the patterns of trade in agricultural products in the GMS, specifically eco-trade (trading systems that address environmental and social concerns) in eco-products (i.e., fresh, have minimal processing, come from agriculture systems that address food safety and management systems that address environmental concerns) over the period 2000-2007. One important aspect of eco-production and eco-trade is organic agriculture and safe products. Key findings showed:

- Increasing intra-GMS trade in agriculture, with GMS countries exporting more to the rest of the world than to GMS but importing more from each other;
- Evolving intra-industry trade in agriculture (countries buying similar agricultural products from each other);
- Regularity of trade behavior (Thailand and PRC dominated by processed food in their world exports, Cambodia and Myanmar by unprocessed fresh/edible vegetables and fruits, and Lao PDR and Viet Nam by neither fresh or processed vegetables and fruits);
- Expanding eco-production and eco-trade (expanding organic agriculture, increasing exports to OECD countries which have stringent food safety

- standards, and increasing penetration by supermarkets in the food industry); and
- Consistency between trade patterns and comparative advantage.

Some causal factors for the observed GMS agricultural trade patterns were suggested, including improved infrastructure and greater connectivity within the subregion (e.g., the East-West Economic Corridor) that are facilitating agricultural trade along and around borders, policy changes that are fostering more trade, institutional changes that are encouraging new institutional arrangements in agriculture, and developments in GMS cooperation that are supporting transport and trade facilitation.

14. To further facilitate GMS agricultural trade, the study recommends the following measures: (i) sustaining trade liberalization; (ii) strengthening infrastructure support to rural development particularly on growth areas of intra-GMS trade nodes; (iii) installing and improving facilities at GMS borders to facilitate trade; (iv) adopting institutional reforms that support the opening of borders to intra- and extra-GMS trade; and (v) widening/deepening GMS cooperation in trade facilitation including full implementation of the CBTA.

15. Mr. Anthony Zola, Consultant, Agriculture, Environment and Natural Resources Division, Southeast Asia Department, ADB, expounded on the link between smallholder farmers to regional and global supply chains¹ through contract farming. Linkages with local and regional agribusiness SMEs can facilitate downstream linkages to transnational and multinational companies and retailers. He showed examples of ongoing agribusiness networks, the location of the principal contract farming areas in Cambodia and Lao PDR, and the location of companies with contract farming operations in the two countries. These farms produce varied crops like watermelons, pumpkins, bananas, sugar cane, rubber, tea, coffee, corn, cashew, soybean, agroforex benzoin, mulberry, cassava, cardamom, tobacco, cotton, eucalyptus, jatropha, and vegetables that are sold to domestic and regional export markets. There are also other agribusiness programs like contract farming for pigs, and diversification to other vegetables like asparagus and carrots. Export markets, besides the GMS countries themselves, include Japan and EU.

16. Copies of presentations for Session II are in Appendix 5.

Session III. Agriculture Trade and Climate Change

III.1. The Role of Agriculture Trade, Contract Farming and Eco-Trade to Promote Climate Change Resilience

17. Ms. Sununtar Setboonsarng, ADB, stated that the agriculture sector is the most vulnerable to climate change which could bring about new pests and diseases, damage to property and crop land, and disruption to trade, transport and distribution inputs/outputs. ADB commissioned a study on Building Climate Change Resilience in the Agriculture Sector of Asia and the Pacific. The study highlights specific vulnerabilities (exposure, sensitivity, and adaptive capacity) of GMS countries to extreme

¹ A supply chain is a string of agro-enterprises working together to satisfy market demand for a particular product and where SMEs and farmers have a potential role to add value.

weather events associated with climate change, and the projected impacts on agricultural production (rice, wheat, maize, and soybean) and international food prices. Climate change adaptation cost in Asia is estimated at \$3.0-3.8 billion per year to 2050 for agricultural research, rural roads and irrigation plus \$1.2 billion per year for clean water and education. Key messages arising from the study point to policy innovations and importance of international cooperation. The agriculture sector is estimated to contribute about 45% to green house gas production if production, forestry, transport of agri-food products, and production of agro-chemicals are factored in. The promotion of climate resilient agriculture would entail improving soil fertility to grow healthy plants, moving away from fossil fuel based energy to renewable energy, shifting from GHG emitting to carbon sequestering approaches, moving from monocropping to intercropping, and adopting integrated farming system. Emerging trends in agri-food trade to address climate change are putting emphasis on ethical consumerism and the principle of 3Ps: People, Planet, and Profit, global concerns on food safety, minimizing carbon footprint, reducing pesticide use, emphasis on ethical supply chain (compliance to social, health, and environmental ethics), adoption of certification systems, and establishment of new supply chains through contract farming. In conclusion, climate resilient agriculture and climate-friendly agribusiness can be promoted by putting in place innovative institutions and incentive mechanisms for closer public-private partnership.

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18. Following are some of the key points that emerged from the discussions:

- There is a need to do a comprehensive assessment of the implementation of the GMS Strategic Framework for Agriculture Cooperation and the Core Agriculture Support Program in order to clearly determine what has/has not been achieved, what are the bottlenecks and the constraints that have stood in the way of its implementation, and what are the lessons learned that could help guide WGA's work in the future.
- Myanmar has signified its full support and willingness to participate in on-going and future activities of CASP, and has requested ADB to reconsider more involvement of Myanmar in regional activities.
- A consensus emerged on the need to devise a new strategy for agriculture cooperation for the next 5 years considering that conditions and realities have changed from the time the CASP was formulated in 2005. Such a new strategy should take into consideration new critical issues/concerns and needs that have emerged such as the global financial crisis, climate change - its adverse effects on agricultural production and the need for adaptation measures, the need to improve agricultural productivity to meet not only the demands for food for human consumption of a growing population but also for industrial use, the demands of global trade/global market that need to be balanced with demands for food and energy security, developments in the GMS Program with regard to trade facilitation and the focus on economic corridor development where the agriculture sector is expected to play a major role, emerging trends in regional and international agricultural trade (contract farming, eco-trade, food safety concerns and implications for harmonized and simplified approaches to SPS procedures at the borders), social and ethical concerns in agricultural production procedures, and the critical need to build the countries' capacity to improve their agricultural production processes .

- Key elements like concrete and well-defined institutional mechanisms for cooperation (for example for contract farming and cross-border agricultural trade), a guiding legal framework that takes into account national laws, mechanisms for effective government-private sector partnerships, definite timelines for implementation of priority programs, realistic indications of software and hardware investments requirements, and indications of resources support and investments from the development partners should be clearly articulated in the new strategy for the agriculture sector. Closer coordination and sharing of insights and experiences between WGA and the working groups on environment and trade facilitation must be facilitated.

III.2. Carbon Trading Schemes for Agriculture in the GMS

19. Mr. Kenjiro Suzuki, Consultant, Regional and Sustainable Development Department, ADB, presented the benefits and opportunities for agriculture of the Clean Development Mechanism (CDM) of the Kyoto Protocol². These benefits include additional financial revenues to farmers, sustainable development gains (in the context of improved energy access, reduced pollution, increased employment opportunities, increased food productivity, and forest conservation), and financial incentive to properly manage operations. In the last few years, the global carbon market has grown 5 times in volume and 10 times in financial value. Case studies illustrating efficient utilization of agricultural wastes (e.g., manure in pig farms) using anaerobic biogas digesters to recover methane for electricity generation and as fuel source for rural households in PRC, Viet Nam, and Nepal were presented. ADB's Carbon Market Initiative (CMI) can provide upfront financing for carbon credits generated up to 2020 from any of the following components: Asia Pacific Carbon Fund, Future Carbon Fund, Technical Support Facility, and Credit Marketing Facility.

III.3. Collaboration between the Working Group on Environment (WGE) and WGA on the Biodiversity Conservation Corridors Initiative (BCI) in the GMS

20. Mr. Javed Mir, Principal Natural Resources Management Specialist, Agriculture, Environment and Natural Resources Division, Southeast Asia Department, ADB, stated that WGE-WGA collaboration on the Biodiversity Conservation Corridors Initiative (BCI) could help ensure enhanced delivery of their respective strategic programs which form part of the overall GMS Economic Cooperation Program. Such collaboration could in turn contribute to reduce poverty; secure water, food and energy security; enhance productivity; and enhance climate change resilience of agro-ecosystems. Toward this end, the two working groups could work together towards achieving geographic and thematic convergence of priority programs/projects, closer coordination and collaboration in respective approaches, development of common tools, sharing of knowledge/knowledge products and information, and ensuring synergism of development and investment planning.

² CDM allows projects in developing countries to generate emission credits if they result in lower emission levels. The credits can be marketed and eventually counted against a developed country's emission obligation.

III.4. Inclusive Business and Eco-trade Supply Chain Management

21. Mr. Eelco Baan, Network Leader/Senior Adviser Asia, Small Holder Cash Crops, SNV Netherlands Development Organization, discussed innovative opportunities for business with the so-called Base of the Pyramid/Bottom of the Pyramid (BOP) – a socio-economic designation for the 4 billion people who live on less than \$1,500 per capita annual income. The BOP strategy involves the private sector to help reduce poverty by serving the BOP markets in ways responsive to their needs by providing access to knowledge and technology. As differentiated from philanthropy or corporate social responsibility initiatives, the BOP concept involves change in the functioning of companies as much as it changes the functioning of developing countries. The BOP strategy is focused not only on lowering price points for existing products and services, but also in creating and offering customized products and services to the poor and buying from the local resource pool in order to help generate local income. It addresses questions about the poor like the kinds of goods that they could produce and the services that they could provide, the goods and services that they need, and how much they can pay. The BOP market requires innovations in products, in markets (i.e., building supply chains by supporting small and medium-sized companies seeking to become suppliers and distributors), in infrastructure (e.g., solar electricity systems in cooperation with local governments), and in frameworks to address flaws in legal systems or intellectual property rights.

22. SNV and the World Business Council for Sustainable Development (WBCSD) have pioneered the development of the inclusive business approach – an initiative that seeks to contribute towards poverty reduction by including the bottom of the pyramid as consumers, suppliers, distributors or employees within the value chain of a company. These business initiatives are economically profitable, environmentally and socially responsible, integrally included in the firms' core businesses, and command senior management attention and sustained resources allocation. Examples of inclusive business models with BOP suppliers, clients and customers, distributors, and employees were given. Mr. Baan emphasized that a key prerequisite for the success of the business model is a favorable, stable, and predictable investment climate. He also stressed other success factors such as a fair, competitive, and non-discriminatory global market; regulatory frameworks that uphold property rights, promote greater movement of entrepreneurs to the formal economy, and root out corruption; capacity building and access to finance for local enterprises and entrepreneurs; and investments in necessary infrastructures such as roads, energy, telecommunications, and ports.

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23. Some participants expressed interest to learn more about how the SNV business model operates and how target participants are selected/identified, how ADB's CMI financing could be accessed and how efficiently baseline data are established for determining carbon credits, and what are the elements in effective systems for ensuring that contract farming arrangements benefit smallholder farmers.

24. It was suggested that contemplated WGA-WGE partnership could be more appropriately described as consultation rather than collaboration in view of the respective parameters in which they operate.

III.5. Market Prospect of Fair Trade Products and Certification Process

25. Mr. Michael Commons, Earth Net Foundation, Thailand, discussed the Fair Trade (FT)³ movement that links socially conscious consumers with small-scale farmers and artisans via ethical traders. FT sales in 2008 amounted to 2.9 billion euros, involving 872 certified producer organizations in 58 producing countries, representing around 1.5 million farmers and workers. There are a number of FT certified producers and World Fair Trade Organization (WFTO) members (total: 14) in the GMS countries. World-recognized options for FT certification are: Fairtrade Labelling Organization (FLO), WFTO, and others like IMO. FT operates around 10 basic principles: (i) creation of opportunities for disadvantaged producers and promotion of sustainable development and poverty alleviation; (ii) fair and transparent practices in management and commercial relations with trading partners; (iii) capacity building of producers and producer groups; (iv) promotion of fair trade; (v) payment of a fair price; (vi) gender equality; (vii) safe and healthy working conditions; (viii) child labor practices that prohibit full time child labor, give children the opportunity to rest, study, and play, and allow children to work with their family in a manner that does not prevent them from going to school, getting rest, or having time to play; (ix) not environmentally damaging but helping to improve environmental conditions; and (x) based on partnership with long-term supportive commitment.

III.6. To Maximize Production or to Maximize Profit: Sequestering Biochar as Soil Conditioner and for Global Warming Mitigation

26. Mr. Karl Frogner, President and Project Development Head, UB International, described biochar as biomass heated in little or no oxygen environment and reduced to a charcoal-like material. It is added to soil to improve productivity and/or to sequester a portion of the carbon in the atmosphere that went into producing the original biomass. Biochar as a soil conditioner is a lost technology in practice by the Indians in the Amazon basin as *terra preta* (black soil) for 8,000 years. Biochar requires research and back engineering in order to study its chemical dynamics and possible adverse impacts (food and soil/ecosystem contamination, health issues), as well as full life cycle analysis and environmental risk assessment. Still, biochar would seem to hold potentials to address food security, economic well being, and climate change mitigation concerns. The UBI Concept is looking at utilizing the potential of small scale biochar production by third world farmers and micro-entrepreneurs for soil rejuvenation, reforestation, and income enhancement.

III.7. Enhancing Equivalency and Harmonization of Organic Standards through the Global Organic Market Access (GOMA) Project

27. Mr. Andre Leu, Board Member of the International Federation for Organic Agriculture Movement (IFOAM) from Australia presented activities of the Global Organic Market Access (GOMA) Project being implemented by FAO (Rome) UNCTAD and

³ Fair Trade is defined as a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized products and workers – especially in the developing countries.

IFOAM. He stated that organic trade supports sustainable trade and that both UNCTAD and UNEP recognize that organic agriculture can be more conducive to food security than most conventional production systems and more likely to be sustainable in the long term. A Cornell University study showed organic systems to be environmentally, socially, and economically sustainable. There are, however, challenges to organic trade that need to be addressed, including organic standards and technical regulations that constitute barriers to organic trade. To address this concern, an International Task Force for Harmonization and Equivalence in Organic Agriculture (ITF) was convened by FAO, IFOAM, and UNCTAD. ITF seeks solutions to trade barriers resulting from multiple organic standards and technical regulations worldwide, with special attention given to organic market access for developing countries. ITF has recommended international cooperation to reduce organic trade barriers e.g., through harmonized standards based on international standards, and adoption of practical tools for assessing equivalence of organic standards and conformity assessment systems. The GOMA project was conceived by FAO, IFOAM and UNCTAD to simplify the process for trade flow of organic products from one regulatory or private control system to another. In Asia, GOMA is working to build a strategy to support trade flow of sustainable organic products within the region. Mr. Leu suggested that GOMA and the GMS could work together to create a common quality market in the region through adoption of Mekong regional organic standards, pilot projects in equivalence, and utilization of private international organic guarantee system. He further suggested that GMS could provide inputs to a scoping study for Asia and/or participate in a GMS-GOMA exploratory task force.

Open Forum

28. Participants exchanged views on the prospects for wider acceptance and adoption of organic agriculture. It was noted that consumer awareness is peaking and interest in organic agriculture is growing steadily, despite the lack of support from government and despite the subsidies provided to conventional agriculture. However, the learning curve for organic agriculture among farmers requires time, and farmers need access to information. There is also a need to make structural adjustments in the traditional, conventional farming system, and to address socio-cultural issues on the part of farmers. New market infrastructure and supply chains for organic agriculture to provide profitable markets for farmers need to be established, and this also involves a long-term process.

29. The Co-Chair invited development partners to share their views with regard to the questions he posed in his opening remarks concerning the strategic directions that WGA should consider beyond the CASP.

- IFAD representative noted that a number of best practices arising from CASP projects present opportunities for translating these practices into concrete investments. There is a need to step up the outcome of technical cooperation activities into actual investments, for WGA to strengthen its identity through a very focused new strategy that builds upon the GMS countries' strong interest and commitment and their own national priorities, and ADB's lead role as a development partner. IFAD reiterated their strong commitment to continue supporting WGA and its activities. In this regard, IFAD would like to be fully involved in the development of the next GMS-WGA strategy as a full development partner in support of government priorities, with the possibility of

aligning their regional and country support programs to the priorities identified in GMS WGA CASP.

- World Bank representative stated that the issue of availability of funding from donors is as good as the voice donors hear from the GMS countries. He urged the WGA to have a coordinated strategy, make their voices heard, in order for donors to be able to respond accordingly. He also urged GMS delegates to voice the importance of agriculture in their respective governments to ensure increased investments in the agriculture sector.

30. Copies of presentations and other reference materials for this session are in Appendix 6.

Session IV. Initiatives Supporting the CASP

IV.1. Sanitary and Phytosanitary (SPS) Action Plan in the GMS

31. Ms. Lingling Ding, Senior Economist, Thailand Resident Mission, ADB, presented the action plan for improved SPS handling in GMS cross-border trade. She mentioned that GMS exports affected by SPS amounts to about US\$7 billion per year. The action plan is based on the principle of harmonization within the international framework of WTO SPS and will address deficiencies in SPS handling observed in the GMS (weak regulatory framework, not risk-based, unequal treatment of foreign and domestic producers, excessive measures in relation to risk, widespread use of precautionary principle, lack of trust and information about each other's systems, and lack of capacities in managing SPS). The plan involves 11 proposed actions for Cambodia, Lao PDR, and Viet Nam covering surveillance programs for plant and animal health and food safety, selective upgrading of laboratory capacities, analysis of findings, exchange of information, improvements for inspection at the borders, ensuring quality of pesticides and veterinary drugs, food safety in the tourism industry, market access for new food products, control of forest pests, and increase in university output of specialists in plant health, animal health, and food safety. Cooperative mechanisms will be put in place for the setting up of bilateral working groups for plant health, animal health, and food safety; twinning and long-term exchange of staff; and conduct of regional expert meetings for exchange of information, harmonization of issues and regional priorities and building of mutual trust in each other's systems. The plan - covering 5 years and requiring US\$60 million investment - will be finalized in January 2010.

IV.2. Action Plan for Transboundary Animal Disease Control and Livestock Trade in the GMS

32. Ms. Carolyn Benigno, Animal Health Officer, FAO RAP, presented developments regarding the ongoing RETA 6390 on Transboundary Animal Diseases (TADs) Control for Poverty Reduction in the GMS. The project involves targeted and strategic interventions to control TADs, capacity building in disease surveillance and control, and interventions to increase livestock productivity and improve market opportunities for targeted beneficiaries. Primary beneficiaries are resource-poor smallholder livestock farming communities, particularly ethnic minorities, in 5 GMS countries. Secondary beneficiaries include departments of livestock development and animal health of target countries Cambodia, Lao PDR, and Viet Nam, and collaborating countries Thailand and

Yunnan Province of PRC; livestock traders and middlemen; commercial food companies; pharmaceutical companies; and partner institutions including OIE. Project activities include: (i) participatory research on movement patterns of livestock and disease control in the GMS; (ii) strengthening capacity and equipping national and regional laboratories for TAD control; (iii) carrying out pilot immunizations of livestock against foot and mouth disease and classical swine fever in poor farming communities of disease control zones in the GMS; (iv) building grassroots level capacity in disease recognition and management; and (v) providing targeted public awareness and communication to underpin disease control programs. The project provides a snapshot of the cross-border animal (cattle and buffalo) movement in Cambodia, Lao PDR, and Viet Nam. Preliminary findings of study of movement patterns of livestock and disease control show changing animal movement pathways, presence of official and unofficial movements, seasonal market fluctuations especially during festivals, drivers of livestock trade (based on prevailing prices), and critical points of livestock markets/depots at identified geographical locations. Based on these findings, a number of possible interventions were suggested including implementation of regional disease control and addressing disease at source, facilitation of cross-border trade and harmonization of movement procedures, targeting of geographical critical points for disease control, and targeting individual stakeholders (traders, middlemen) for animal health interventions.

Open Forum

33. Participants noted that the action plans for SPS and TADs complement and reinforce each other and offered suggestions for further enrichment of the plans, as follows:

SPS Action Plan

- Include SWOT analysis and log frame; clearly define the targeted interventions that will respond to identified country needs and realities on the ground, the investment requirements, and the platform for other partners to be involved; expound on public-private partnerships; define public awareness initiatives; involve all countries including Myanmar in the consultation and assessment process and in the ensuing regional work even if investments will focus on CLV;
- Reflect strong country ownership and show where countries would take the lead; define/clarify responsibilities of line departments; indicate counterpart funding expected from GMS countries and commitment from co-financiers; engage separate consultants for each investment project to facilitate simultaneous work;
- Address issue of lack of data, look at automation of SPS procedures (real time or archive) to improve risk analysis;
- Critical control points are good starting points for SPS; action plan could learn from the earlier presentations on cross-border trade of agricultural products/contract farming, and tracking of animal movements across borders.

TADs

- Develop a regional TADs control program. PRC has established surveillance stations in cross-border points with neighboring countries and offers training programs to neighboring countries. Countries underscored the importance of Myanmar's participation in order to fill in the gap with respect to movement of animals across borders;
- Include capacity building for participating countries;

- Include a pilot project for CLV for TADs control.

IV.3. Key Findings and Recommendations of the AINS Implementation Review: Workplan for 2010-2011 (Component 2)

34. Dr. Yang Yong, Associate Professor, Information Network Center for Chinese Academy of Agricultural Sciences, PRC, reported on the findings of an implementation review undertaken by FECC in August 2009. Three experts visited the local GMS AINS sites in Cambodia, Laos, Myanmar, Thailand, and Viet Nam to assess the construction and development situation of these sites, and visited related departments and institutes of each country. The review identified a number of constraints to AINS development as follows: (i) underdeveloped national information network infrastructures in Cambodia, Lao PDR and Myanmar; (ii) difficulty in applying the content management system in English developed by PRC in Cambodia, Lao PDR, and Myanmar due to peculiarity of languages of these countries, prohibitive cost of related software for website management, and lack of training to utilize open source software; (iii) non-implementation of AINS management mechanism and difficulty in coordinating information resources of different departments; (iv) lack of qualified IT staff for website management; (v) lack of stable funding support for AINS; and (vi) lack of long-term sustainable development strategy and plan for AINS. To address these constraints, the review recommended the formulation of a feasible AINS development plan, including: (i) strengthening the role and participation of ADB as over-all lead coordinator, and of PRC as coordinator for the construction and management of AINS; (ii) actively and fully involve Thailand and Viet Nam in AINS construction to establish an information platform for agricultural cooperation and communication; and (iii) encourage more active participation by Cambodia, Lao PDR and Myanmar and support improvement of their network infrastructure, information resources, and human resource capacity for AINS. In order to realize the sustainable development of AINS and promote the implementation of the CASP and Vientiane Plan of Action, it was suggested for ADB to establish a special project for AINS, or extend the AINS component under the CASP to support more workshops and studies, capacity building of IT staff in the GMS countries, and dissemination of agriculture market and trade information to rural areas.

35. Mr. Ian Makin, ADB remarked that the GMS countries have had 3 years of experience with AINS. AINS has partially been successful - it has worked in some countries, but not in others. AINS or something similar to it should be part of the future workplan for WGA. A workshop is scheduled in Nanning in October 2009 to talk about what needs to be done next. Countries should encourage their representatives to come to the workshop with a solid commitment to make AINS work. ADB can provide the funds but the real capacity to make AINS work and to maintain it rests on the countries, they know what they need and, what they require from ADB, and can look at their own resources to make AINS work.

IV.3. Workplan for Biotechnology and Biosafety (Component 1)

36. Mr. Jan Willem Ketelaar, Chief Technical Adviser, Inter-Country Programme for IPM in Vegetables in South and South East Asia, FAO, presented the work plan to implement the strategy for biotechnology and biosafety to achieve the following outputs:

- Output 1: implementation of standardized and effective safety measures. Activities include: case studies on regional cooperation strategies for addressing biosecurity and food safety issues in cross-border trade in the GMS and on Q-Good Agricultural Practices (Q-GAP) protocols and organic accreditation systems; regional workshop on food safety; development of training exercises and distance e-learning materials on food safety;
- Output 2: Compliance with international standards of internal and external trade in agricultural commodities and products. Activities include: regional workshop on investment strategies, inventory studies on invasive pests/diseases affecting agricultural production and trade in the GMS; regional inception workshop on invasive pests and diseases; action research on prevention of spread and in-situ management of invasive pests and diseases in key agricultural commodities; development of training materials on pests/diseases prevention and management; national and regional workshops; and publication of case studies reports, training materials, and action research reports, and posting of e-materials on AINS and FAO websites;
- Output 3: Identification and recommendation of potential carbon sequestration and carbon credit schemes. Activities include: case studies on compost production and potential for soil carbon sequestration; case studies on existing and potential carbon credit schemes and formulation of policy recommendations; development of e-learning materials.

37. Mr. Ruud Valyasevi, Deputy Director, National Center for Genetic Engineering and Biotechnology, National Science and Technology Development Authority (NSTDA), presented the action plan for Strengthening Capacity and Regional Cooperation in Advanced Agricultural Science and Technology (Phase 2). Phase 2 is focusing on capacity building in sanitary and phytosanitary standards and policy development and will involve workshops on biosafety policy and framework based on the Cartagena Protocol on Biosafety, food safety in compliance with international standards, and SPS and phytosanitary requirements and implications to international trade.

IV.4. Workplan for Rural Renewable Energy Initiative (Component 3)

38. Mr. Beau Damen, Bioenergy Officer – Forestry, FAO, presented the components of FAO's TCP/RAS/3202D, a project that is documenting practical experiences to promote mechanisms that will integrate small-scale bioenergy (SSB) into GMS rural energy & poverty reduction strategies. The project covers (i) case and thematic studies that will facilitate better understanding of successful SSB initiatives in each GMS country; (ii) national workshops to develop plans of action to enhance and expand delivery of SSB for the benefit of rural communities; and (iii) a final GMS regional workshop to aggregate regional findings and draw up further actions. The project, which commenced in June 2009 and ends in June 2010, is linked to and supported by way of parallel financing component 3 on Rural Renewable Energy Development of ADB-assisted RETA 6521 on Accelerating the Implementation of the CASP.

39. Mr. Ganesh Thapa, Regional Economist, Asia and the Pacific Division, International Fund for Agricultural Development (IFAD), briefed the meeting on IFAD's Rural Renewable Energy (RRE) Initiatives in the GMS and Southeast Asia. These include the completed study on the prospects for renewable energy in rural and regional

strategic framework for RRE funded by ADB and IFAD, and undertaken by SEARCA for WGA. One ongoing project is looking at the effects of biofuels on agricultural development, food security, poverty and the environment in PRC, as well as Indonesia and the Philippines. Expected outputs include an integrated analytical framework for biofuel development and its impact pathways, databases, capacity building of researchers and policy makers, and papers, policy briefs and website postings. To support the project over 2 years, IFAD is providing \$200,000 to each of the 3 participating countries. In addition IFAD is financing loans for RRE projects in PRC on biogas and solar energy, and Lao PDR on production of *Jatropha curcas*.

IV.5. Workplan for Cross Border Trade and Food Security (Component 4)

40. Mr. Anthony Zola, Consultant, Agriculture, Environment, and Natural Resources Division, Southeast Asia Department, ADB, presented a proposed workplan for development of a strategic framework for food security and cross-border agricultural trade in the GMS. The workplan aims to achieve the following outputs: (i) implementation of the action plan arising from the GMS Agricultural Trade and Facilitation Strategy Study; (ii) implementation of selected components of the ADB Study on Regional Food Security; (iii) implementation of measures to overcome constraints to expansion of agricultural trade in relation to CBTA operation in collaboration with the Trade Facilitation Working Group; (iv) organization of forums for cross-border policy dialogue and technical exchanges to harmonize national plans and draw in the private sector in regional agribusiness and enterprise dialogue on cross-border trade development and modernization; and (v) collaboration with other GMS working groups like the Working Group on Environment. The indicative time frame for the workplan is January 2010-December 2011.

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41. Regarding the AINS, countries supported the recommendations made by PRC in the interim review report regarding the further development of the AINS and called on ADB and PRC to continue providing the needed technical and funding support to overcome the weaknesses identified and to ensure the long-term viability of the AINS.

42. Synergy among the workplan/action plan for Biotechnology and Biosafety, SPS, and TADs should be ensured in order to come up with common approaches under these different initiatives, ensure complementarity, avoid overlapping and duplication, while recognizing the different needs and capacities of the GMS countries.

43. The proposed workplan for cross-border trade and food security need not be pursued separately. Instead it should be integrated into the new overarching strategy for the agriculture sector.

Session V. Facilitating Investments in Key Priority Areas of the CASP

V.1. Revisiting the CASP and Vientiane Plan of Action (VPOA) for Agriculture

44. Mr. Anthony Zola, ADB Consultant, premised his presentation on a recent statement by IMF Managing Director Dominique Strauss-Khan that *"Making declarations*

is just not enough if you want to change the reality.” In his summary assessment of the implementation of the CASP and VPOA, he noted that a number of projects/activities have been successfully completed with concrete results on the ground, collaboration has happened at various levels and with various stakeholders, and increased/facilitated agricultural trade has translated into actual benefits for farmers. While substantial progress has been achieved in a number of programs, a number challenges remain to be addressed and much remains to be done. He summarized the consolidated priorities drawn from stated country priorities that have to be considered as the WGA moves forward toward implementing the CASP and the VPOA. The common priorities identified and suggested to be pursued under the VPOA and possibly the new GMS agriculture strategy are: (i) rural renewable energy; (ii) demand and supply of key agricultural products, market information; (iii) regional food safety standards; (iv) agricultural competitiveness; (v) livestock identification and tracking; (vi) food security; (vii) and global warming/climate change.

45. He noted that concern about regional food safety standards has been surpassed by a number of regional and international frameworks like ASEAN-GAP, Global-GAP, ISO, SPS, EU Directives and other certification mechanisms. Food security is being addressed by the East Asia Rice Reserve, ASEAN and FAO projects, regional surpluses, and existing national policies. He suggested that the remaining 4 priorities could be retained under the VPOA and offered arguments in support of their retention.

V.2. New Strategic Directions for GMS Agriculture Beyond the CASP

46. Mr. Anthony Zola, ADB Consultant, presented a draft discussion paper titled “Toward New Strategic Directions for the GMS Core Agriculture Support Program⁴”. The paper outlines the current status of the CASP, and the continuing and emerging challenges/drivers of change that bear on future work and cooperation arrangements in agriculture. He noted that in relation to facilitating cross-border agricultural trade and investment, certain activities have remained elusive, including the establishment of wholesale markets and distribution centers at border crossings, cross-border agricultural resource and market information systems, the setting up of cross-border bilateral working committees, and country-led cross-border dialogue and forums for participatory planning, design, and knowledge dissemination. There are continuing challenges regarding food security, fragmented smallholder production, informal producer and marketing arrangements, undependable transport and communication links, poor logistics for cross-border trade, cumbersome regulatory structures, underfinanced agriculture sector, and lack of access to agricultural production and processing credit.

47. The draft discussion paper suggested a new vision for the agriculture sector beyond the CASP, i.e., “*The GMS as a region recognized globally as the leading region for the production of safe food, using sustainable practices, protecting the environment, and mitigating climate change.*” The building blocks for this vision rest on strong ownership of the WGA process by the GMS member countries who could take active responsibility for different components; ecosystem conservation (soils, land, and water); rural renewable energy; food security adapted to climate change; market infrastructure that links producers to global supply chains; and HRD and institutional modernization. To realize this vision, certain conditions need to be met, including natural resources

⁴ The draft discussion paper was prepared by Mr. Anthony Zola and Ms. Sununtar Setboonsarng.

conservation strategies, policies and regulatory systems that foster ecosystem services, agricultural trade that is facilitated by regionally harmonized rules, agricultural and natural resources protected from invasive species and diseases, agricultural practices and agricultural systems that address and adapt to climate change.

Open Forum: Revised VPOA and Concrete Actions to Move the CASP Forward

48. Following are the key decision points and agreements reached:

- WGA highly appreciates the work done by the WGA Secretariat as presented by Mr. Zola in laying down the initial groundwork for a new GMS agriculture strategy and action plan. The draft discussion paper presented at the meeting serves as a good starting point for elaborating on a new agriculture strategy. WGA agreed to work intensively together to work out the details of the new strategy over the next few months.
- WGA agrees with and supports the 7 priorities identified in the discussion paper, and these priorities should be reflected in the new agriculture strategy. The priorities identified are: (i) rural renewable energy; (ii) demand and supply of key agricultural products and market information; (iii) regional (food) safety standards; (iv) agricultural competitiveness; (v) livestock identification and tracking; (vi) food security; and (vii) global warming (climate change). It is important to retain food security among the priorities as it remains to be a top concern for the long term. While there is surplus of rice in the GMS, the region imports large amounts of food such as wheat, so vulnerability to food security should not be undermined. A delegate from Lao PDR requested that organic agriculture be supported under the new CASP. The new strategy should reflect the need for investments for hardware as well as soft infrastructure (i.e. inclusive market institutions) and other requirements.
- The strengthening of other networking arrangements besides the AINS should be included.
- The new strategy should look at maximizing complementarity of programs with current work being undertaken/supported by development partners. It should reflect the expressed readiness of development partners, notably IFAD and FAO, to become more involved and increase the level of participation in the subregional agricultural cooperation program as an opportunity to further complement the work that they are doing at the country level.
- The strategy should have a well-defined roadmap, definite targets and work plan, detailed projects, pipelines, indications of country inputs and external support from development partners, indications of role the private sector can play (e.g., information sharing, training, technology transfer), and methods and mechanisms for active exchange of information, institutional capacity building, and improved coordination of standards and procedures that would help to further strengthen mutual trust and confidence-building among relevant GMS institutions that will implement the strategy.
- Issues of country ownership and institutional mechanisms need to be seriously considered and formalized, as opposed to the current loose arrangements. There should be clear recommendations/indications on the institutional division of responsibility for programs such as that for SPS.
- It is important to foster a better understanding of the implications of AFTA on the countries' agricultural production and trading systems.

- With regard to the current CASP which ends in 2010, WGA will endeavor to complete activities that have already started. As noted earlier, CASP activities will increasingly be focused towards supporting the transformation of the GMS Transport Corridors into GMS Economic Corridors.

49. The meeting agreed on the following time frame for working on the new agriculture strategy:

- ✓ **First draft of new strategy paper ready by early November 2009 for circulation to WGA;**
- ✓ **Draft strategy for discussion at WGA Coordinators' meeting in Viet Nam in 2nd week of January 2010 with an aim of submitting the draft to the GMS SOM also scheduled in January 2010. ADB will send a formal letter to Viet Nam regarding the proposed meeting.**
- ✓ **Clean draft of new strategy ready by 16th GMS Ministerial Meeting in March 2010.**
- ✓ **Final Draft of new strategy for endorsement by GMS Agriculture Ministers' Meeting in late 2010 (dates and venue to be decided later⁵). The Meeting requested Viet Nam to consider hosting WGA-7 back-to-back with the GMS Agriculture Ministers' Meeting in late 2010. Viet Nam agreed to host the WGA Coordinator Meeting and the WGA-7 in 2010. However, the feasibility of holding the Agriculture Ministers Meeting in Viet Nam and as a back-to-back event with the WGA-7 is yet to be explored. ADB was requested to send a formal letter to Viet Nam to request confirmation on hosting the abovementioned WGA events next year.**

Closing Session

50. The Chair expressed her thanks to the Co-Chair, all the resource persons, participants, and observers for their active participation and contribution to the discussions.

51. The Meeting expressed appreciation to the officers and secretariat staff of the ADB for their efficient arrangements.

⁵ The possibility of organizing the Agriculture Ministers Meeting in association with an IRRI Conference in Viet Nam, which the Ministers are also expected to attend, shall be explored.