



FACT DIALOGUE

Forest, Agriculture & Commodity Trade



FACT Dialogue Progress Report 2022

COP27 Joint Statement of Participating Countries

The governments voluntarily participating in the Forest, Agriculture and Commodity Trade (FACT) Dialogue have worked together through 2022 to implement the Roadmap of Action guided by the 'FACT Dialogue Joint Statement: A Shared Path Forward', launched at COP26. The FACT Roadmap of Action is intended to take forward the shared objectives of the FACT Dialogue, to promote sustainable development and trade, while protecting forests and other critical ecosystems.

Through voluntary collaboration across more than 28 countries, we have committed to achieving these objectives. We recognize that not every country needs to participate in all areas of the dialogue or will take the same approach. To ensure progress that delivers the FACT objectives however, we need to identify synergies and build commonalities that promote international trade and sustainable development, that protects forests and other critical ecosystems, which will be essential to meeting the goals of the Paris Agreement and the Sustainable Development Goals.

We recognise that the spirit of collaboration, open dialogue and cooperation within FACT continues to be important, and we will ensure this is maintained, particularly in the context of the multiple planetary crises including climate change, biodiversity loss, and food insecurity. We recognise the challenges of addressing these multiple crises, and the increasing pressures on forests through unsustainable agricultural production and other forms of land degradation, whilst protecting forests and other critical ecosystems.

Since the launch of the FACT Roadmap, we have created a firm foundation so that we can continue to support one another in making the

necessary shifts to achieve our objectives. The focus this year has been on 'getting started,' and to make tangible progress on the prioritized roadmap actions across the four thematic areas of: Trade and Markets; Transparency and Traceability; Smallholder Support; and Research, Development, and Innovation. Whilst there have been challenges, overall, we have made good progress across many areas, and we thank the FACT Dialogue co-chairs for their update report attached to this Joint Statement.

Building on these strong foundations, the FACT Dialogue will advance the actions of the roadmap over the next 3 to 5 years by providing a platform for governments and key stakeholders to work together, share best practices and develop actions, which may be related to policies, voluntary approaches, technologies, and innovations to support our shared objectives.

As we move into 2023, we will advance our work across the four thematic areas. We will establish FACT as a collaborative platform for dialogue among countries, experts, and other stakeholders, for the sharing of information and transfer of knowledge. We will do this by:

1. Continuing to provide an important forum for collaboration between major producer and consumer countries, recognizing the need to participate actively, constructively and productively in thematic areas, to drive good results and develop a common understanding of market expectations, while strengthening engagement with stakeholders in a relevant and participatory way; and
2. Advancing the FACT Roadmap actions, to support implementation with clear, defined future objectives, goals, and procedures to achieve the FACT Dialogue objectives.



This Joint Statement has been endorsed by the following countries:

Belgium	France	Korea	Spain
Brazil	European Union	Liberia	United Kingdom of Great Britain and Northern Ireland
Colombia	Gabon	Netherlands	United States of America
Cameroon	Germany	Nigeria	Uruguay
Canada	Ghana	Norway	
Cote d'Ivoire	Indonesia	Peru	
Denmark	Japan	Republic of the Congo	

The FACT co-chairs are grateful to all governments for their active participation in the FACT Dialogue. We would also like to thank those countries that participate in FACT, but for various reasons have not yet been able to endorse this joint statement. We will continue to update this list as other countries are able to endorse.



Around 2.5bn people globally rely on agriculture for their livelihoods, while 1.6 billion rely on forests. Yet 70% of tropical forest loss is due to agriculture.

COP 27 Update Report of the Co-Chairs

Introduction

The FACT Dialogue is currently co-chaired by the Governments of Indonesia and the United Kingdom and convenes 28 of the major producer and consumer countries of internationally traded agricultural and forest commodities to collectively share best practices and develop actions, which may be related to policies, voluntary approaches, technologies, and innovations to protect forests and other key ecosystems, while promoting sustainable trade and development.

The FACT Roadmap of Action was announced by the UK Prime Minister and Indonesian President at the COP26 World Leaders Summit on Forests and Land Use (2 November 2021). It consists of a joint statement and 14 actions across the four important themes of Trade and Markets; Transparency and Traceability; Smallholder Support; and Research, Development, and Innovation. The statement is supported by 28 governments and shows their commitment to work together over the coming years to protect forests and other key ecosystems, while promoting sustainable trade and development.

In March 2022, senior officials from FACT governments agreed to make tangible progress across the four themes. They agreed to prioritize specific actions from the roadmap that build a solid foundation to underpin future progress, by building an evidence base and common understanding. Priorities for 2022 have included the commissioning of studies, mapping exercises and further exploratory discussions. A Trade and Markets Forum was established, with a focus on sharing perspectives and lessons on supply and demand perspectives and to encourage collaboration. Other actions were delivered through smaller action groups of interested countries, although all FACT countries have been kept up to date.

This FACT Dialogue Report of the Co-Chairs sets out the progress that has been made during 2022 across each of the thematic areas and priorities identified in the FACT Roadmap.



Trade & Market Development

Issues relating to Trade and Markets (T&M) are an important part of the FACT Dialogue. Participating countries have been ambitious and have agreed to progress all four T&M Actions under the Roadmap this year. Collaboration at global level is crucial as complementary demand and supply side measures are needed to shift towards sustainable trade and supply chains.

The FACT Trade and Markets Forum was established in May 2022. It offers a neutral platform for technical discussions between producer and consumer governments to better understand each other's perspectives and to move towards mutually reinforcing actions that incentivize sustainable production and consumption.

Some FACT Participants also agreed to set up small country specific action groups to progress the roadmap actions related to Trade & Markets items (iii) and (iv)¹. These action groups are tasked with making progress on these important areas and reporting back to the wider group for discussion.

More than 10% of the action needed to meet the goals of the Paris Agreement would be achieved if countries honor their pledges in the Glasgow Leaders' Declaration on Forests and Land Use, the FACT Dialogue and other international commitments.

¹ The FACT Dialogue Roadmap launched at COP26 in Glasgow provides details as to each of the Action Groups, and can be found here: <https://www.factdialogue.org/fact-roadmap>

The **28 countries** that support the FACT Dialogue account for more than **90% of palm oil exports globally** and **44% of annual carbon dioxide emissions attributable to tree cover loss**.

This workstream also placed emphasis on the role of FACT within the broader landscape of international efforts to enhance understanding by finding common ground on sustainability and trade. To inform this discussion, a [report](#) was provided by the Food and Land Use Coalition (FOLU) on how FACT can support other processes and fora that address similar issues. While not all countries agreed with the recommendations and outcomes (as noted in the report), it was suggested that it be used to inform discussions on possible solutions to shift this landscape. The T&M Forum will consider this issue further at its next meeting in early 2023, alongside other agenda items proposed by participants.

Trade and Markets Action Group (iii) on Sustainable Production

There are many different initiatives and standards which, have different applications in terms of scope and contributions to the market. Clarity and common understanding in our approaches to ensuring sustainable production of agriculture and forest commodities can help producer and consumer countries to put effective mechanisms in place that support a transition to production and trade in sustainable commodities.

Trade and Markets Action Group 3 provides an opportunity for governments to work together to find common ground on the factors of sustainable production, as it relates to the protection of forests and other critical ecosystems, drawing from existing experience and practice. In the group's first meeting in September 2022, participating countries met to discuss whether and how to take this work forwards.

Independent experts joined the first part of the meeting to provide an overview of existing sustainable production initiatives. They reflected on how work at government level to identify how common principles for sustainable production could help producers and consumers implement their respective policies and measures. This

could be useful source material for market recognition mechanisms under discussion in Action Group 4. We also heard from the private sector and an intergovernmental initiative on the work they are doing in this domain, which could be built upon by countries.

Countries in the Action Group agreed to continue discussions on this topic, noting there is no clear consensus yet on scope. They reflected that it is worthwhile to pursue further discussion on the scope of potential common factors to be considered, to understand where country approaches are aligned or diverging on what is essential for sustainable production. The Secretariat will develop proposed next steps for consideration on what the Action Group could do to take this work forwards.

Trade and Markets Action Group (iv) on Market Recognition

Action Group 4 focuses its dialogue on efforts countries could take to incentivize sustainable commodity production, consumption, and fair trade. In September 2022, the Action Group met for the first time to discuss what they would like to achieve in this domain. It focused on action that could be considered by FACT participants to promote and incentivize sustainable commodity production and its associated trade.

An independent expert drafted a discussion note that summarized actions taken by producer and consumer countries and proposed ideas on what countries might build through collective action that would complement or strengthen their policies and approaches. These included: (1) an endorsement mechanism for sustainably produced commodities (which could assess national approaches to sustainable production against the same, or different, requirements); (2) a common approach to reporting requirements for businesses; and (3) an exploration of partnerships focused on incentivizing sustainable production.

Participating countries discussed these ideas and the potential benefits and challenges of these and other approaches. They agreed that this is an important area for dialogue that is central to actions taken by both producers and consumers. There is a need to explore this work further, including in a way that acknowledges the efforts of producer countries and supports smallholder farmers. No consensus was reached on next steps. Further elaboration of the approaches and how they might be used could help inform follow-up discussions.



Smallholder Support

Smallholder farmers are central to the aims of the FACT Dialogue and are key agents for change in the landscapes they live and farm in. They produce a significant share of key global agricultural commodities but face several challenges relating to the impacts of climate change, the security and resilience of their livelihoods due to inadequate incomes, and low productivity and capacity. As markets move towards improved environmental standards, smallholders face a serious risk of market exclusion if they are unable to access support to meet those standards. Working towards a living income for smallholder farmers can contribute to the protection of forests and other key ecosystems, while promoting sustainable trade and development.

The goal of the Smallholder Support Action Group, which is co-facilitated by Malaysia, is to support the scaling up of successful practices that improve livelihoods for farmers moving to sustainable production. This is achieved through improved finance from domestic resource mobilization, an improved domestic regulatory environment, and increased donor and private sector finance. To move the work forwards in 2022, countries agreed to prioritize mapping² of existing smallholder support schemes. The aim is to identify critical success factors in overcoming common trade-offs between environmental and socioeconomic outcomes and recognize gaps and opportunities to scale up good practice.

This mapping will underpin discussions going into 2023, to exchange best practice and identify effective approaches to scaling up support and finance for smallholder farmers³. It is focused on three deep dive case studies in Brazil, Ghana, and Indonesia. It will also consider approaches in other producer countries and donor programme approaches from consumer countries. The three case studies have been selected to show a breadth of activities across the main geographies and commodities that make up a large part of forest-risk agricultural products that hold a significant smallholder producer base. In this way, it is hoped that lessons can be drawn that are applicable to other similar contexts. The final report is expected early in 2023.

² Action Group Participating Countries agreed to prioritise Smallholders Support Action Item (i), to map and consider existing smallholder support schemes to learn about different approaches, assess the impact of different approaches on sustainability outcomes, identify gaps and begin working on opportunities to strengthen national and international efforts.

³ Action Group Participating Countries will commence work under Action Item (ii) during 2023, which will exchange best practice and identify effective approaches to scaling up support and finance for smallholder farmers (including through national support schemes, public-private partnerships, the private sector, the finance sector and Official Development Assistance (ODA)). This can include support to increase productivity in a sustainable way, reduce vulnerability and increase resilience to climate change, market shocks and other major risks to livelihoods.

Smallholder farmers – many of them women – hold a significant market share of key forest risk commodities. Around 70% of the world's cocoa is produced by 2 million smallholders in West Africa.

The work on smallholders now moves towards the implementation of Roadmap Action (ii), to exchange best practices and identify approaches for scaling up support and finance for smallholder farmers. Countries agreed to develop a delivery plan to identify opportunities and host forums to exchange best practice throughout 2023, focusing on key themes such as policy reforms, capacity building and access to finance. Participating countries also provided views on a range of potential ways to engage with stakeholders, as well as a list of existing national and international platforms, with which FACT countries are already engaging. The delivery plan will provide opportunities to engage with these actors and ensure the exchange of best practice brings in perspectives from across the supply chain.



Traceability & Transparency

Systems, enhanced policies, and technologies that enable Traceability and Transparency (T&T) provide the foundation for certification schemes and assurance of origin, which allows us to achieve our international commitments to development. Such systems and policies are also essential to halting and reversing forest loss by 2030 and addressing climate change. They support efforts by national governments to apply and enforce laws that underpin sustainable production and consumption, and efforts by stakeholders and civil society to enhance accountability. These systems, policies and technologies can also help create investor confidence.

Under the guidance of the T&T Co-Facilitator countries, Ghana, and the UK, 12 additional countries have agreed to participate in this Action Group. As a first step to delivering on the T&T Roadmap actions, research was commissioned to assess the existing conditions of traceability and transparency in international forest and agricultural commodity supply chains. This includes identifying examples of best practice and quality and accessibility of supply chain data.

Smallholders face **unequal bargaining positions** in international markets and are often unable to make a living from their work. Coffee farmers typically receive only 1 penny from a cup of coffee that costs £2.50.

This research is now underway and is on track for the findings to be presented to countries at the T&T Action Group meeting in early 2023. The findings will support progress towards the development of guidance as agreed under the T&T Roadmap. This will inform national government approaches to data sharing and data management on forest and agricultural production and commodity supply chains. Work will commence on the T&T guidance during 2023. The guidance will promote better monitoring, enhanced policies, and protection of forests and other critical ecosystems, protecting vulnerable people while considering and recognizing the importance of existing government and stakeholder commitments, costs, technology, how systems interact, and accessibility.

In September 2022, countries discussed the T&T Delivery Plan presented by the Secretariat, which sets out the milestones and timeframes for delivery up to 2026. The Plan has now been agreed and finalized and it will be regularly reviewed. In the September discussion, there was also general support for developing a proposal on policy pilots to enable the delivery of Roadmap Action (ii). The aim is to begin an Expression of Interest process at COP 27.

Stakeholder engagement remains a priority topic and is recognized as critical for delivery of the roadmap. A discussion on the subject during the September Action Group meeting, confirmed this view and members shared their experience of, and commitment to, stakeholder engagement. The Secretariat mentioned the development of a FACT Stakeholder Engagement Strategy, which will need to be considered and aligned to the Action Group's next steps for stakeholder engagement.



Research, Development, and Innovation

Research, Development, and Innovation (RDI) applies across the four key and related areas of work and will inform the implementation of the FACT Roadmap concerning Trade and Market Development, Smallholder Support, and Traceability and Transparency. RDI under FACT will support idea sharing, best practice exchange for research collaborations and the identification of innovative actions that countries could take forward.

This group has moved immediately into implementation at the national level. An inclusive and participatory approach has been developed under the guidance of Brazil as the RDI lead facilitating country. The implementation process has begun to put in place an important science to policy dialogue. This national focused dialogue involves relevant stakeholders, research organizations and policy makers.

A workshop will be held as soon as possible which will bring together organizations to develop the RDI Theory of Change. The outcome of this process will help strengthen the capacity of national institutions, support nationally led research partnerships to identify, disseminate and scale best practices among farmers, including through North–South, South–South, and triangular cooperation. It will also identify FACT research priorities, to be applied across each of the FACT Thematic areas.

Experienced leadership has been provided by the new FACT Secretariat, to support participants in the development of theories of change, and the work will be further informed in early 2023 through the results of a literature review, currently underway, concerning best practices for research partnerships, as well as further workshops. The outcomes of this innovative process will be presented at the first RDI Action Group meeting in 2023 for final approval and agreement on the first actions to be implemented.

The RDI Action Group is leading the way within the FACT Dialogue to integrate stakeholder participation and ensure a participatory and consultative processes to establishing research collaborations. In doing so, the RDI working group is seeking to make sure that all partners' priorities, needs, and challenges are equally considered, and stakeholders are engaged at the national level, to work towards common goals in a fruitful learning culture based on mutual trust, respect, and responsibility.

Indigenous Peoples in 90 countries are custodians of an estimated 80 percent of the world's biodiversity and live on millions of hectares of land in countries spanning most of the world's endangered tropical forests.



Stakeholder Engagement

Stakeholder participation in the FACT Dialogue will be a cornerstone for the success of the initiative and will drive the long-term sustainability of the platform. Stakeholders provide technical expertise and provide the forum with a range of perspectives and voices spanning supply chains. They will implement many of the actions identified across the thematic working groups. They lend credibility to the process, support accountability and transparency, and amplify important messages and outcomes of FACT.

An extensive stakeholder consultation process was held during 2021 under the leadership of the Tropical Forest Alliance. During 2022, the

integration of stakeholders across the FACT Dialogue has been a major consideration.

Stakeholder engagement in FACT can come in many forms. It can include national-level community-based organizations, including farmers, Indigenous Peoples, private sector, technical experts, as well as international think tanks. It can include participation in existing national and international platforms, courses, training, participation in decision making processes, building partnerships and collaboration with other international initiatives.

Strong stakeholder engagement offers opportunities to better understand what social, economic and environmental issues matter most in different contexts and for different actors. It provides opportunities to align FACT practices and outcomes with societal needs and expectations, and to improve decision making and accountability. Work on stakeholder engagement will intensify during 2023, as the FACT Dialogue seeks to put in place a world-leading, inclusive, and participatory approach to stakeholder engagement, which will ensure the inclusion of groups, many of which are likely to be underrepresented at the global level, placing emphasis on those working on-the-ground at the national level.

To follow the work or find out how to get involved in the FACT Dialogue stakeholder engagement process during 2023, sign up to the newsletter [here](#). Contact: secretariat@factdialogue.org







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The FACT Dialogue is a country driven, government to government process. This Progress Report has been prepared by CIFOR-ICRAF in the role of the FACT Secretariat in consultation with participating FACT Dialogue countries and under the guidance of the FACT Co-Chairs.