



FACT DIALOGUE

Forest, Agriculture & Commodity Trade



FACT Dialogue Progress Report 2023

Message from the co-chairs

The Government of the United Kingdom and the Government of Indonesia have had the pleasure of continuing their co-chairing the Forest, Agriculture and Commodity Trade (FACT) Dialogue throughout 2023. Together, and in partnership with other FACT member countries, we have progressed the four thematic areas under the FACT Roadmap, launched at COP26, to move towards our shared goal of sustainable development and trade, while protecting forests and other critical ecosystems.

As co-chairs, throughout the year we have been delighted to witness the commitment and willingness of countries to engage in constructive discussions and learn from each other. We have seen the benefits of bringing together countries to share experiences and practical examples, enabling countries to learn from each other to inform their own national actions. But the challenges we face are still vast. Good progress is being made to decouple deforestation from commodity trade, but we know the urgency and increasing complexity of this challenge. We recognize that the spirit of collaboration, open dialogue and cooperation within FACT continues to be essential to moving forward this agenda.

The UK and Indonesia are proud of our cooperation on FACT since COP26, and Indonesia has valued the opportunity to establish FACT as a collaborative platform for dialogue and advance the FACT Roadmap actions, but it is important that we constantly bring fresh ideas and new energy to the leadership. It was envisioned that FACT would have rotating co-chairs over the course of the Dialogue. As part of this, Indonesia will transition from its role of co-chair in March 2024, and we look forward to handing the reins to a new country to build on the progress so far. Indonesia will remain involved in the Dialogue at a leadership level, taking on the co-leadership of the Trade & Markets action area.

Ahead of this transition, the UK and Indonesia are pleased to be working together to prepare for the next in-person Forum meeting which will take place in early 2024 in Indonesia. The 3-day Forum will bring FACT officials together for deeper dialogue and will have a particular thematic focus this year on Trade & Markets. We look forward to welcoming delegates to Indonesia to progress the dialogue on these important topics.

The need for the FACT Dialogue to provide this space is more relevant than ever. With land use change and deforestation still accounting for 25% of global greenhouse gas emissions, the crucial ambitions under the Glasgow Leaders Declaration on Forest and Land Use and the Sustainable Development Goals are not being met. Alongside this, the changes and introduction of new regulations within this environment means countries require additional support to enable them to achieve the sustainability in their supply chains which consumers are demanding. We remain steadfast in our vision that the FACT Dialogue is in the unique position to not only shape policies, but to ensure collaborating countries have an equal voice when discussing and implementing regulations. We will only achieve our shared goals through collaboration.

The FACT co-chairs are grateful to all governments for their active participation in the FACT Dialogue. As we move into 2024, we invite FACT members to continue and enhance engagement within the Dialogue and to remain engaged both politically and on a technical level. We encourage countries to actively and constructively participate, using FACT as a platform to enhance actions to address the climate and biodiversity crises through promoting sustainable livelihoods.



At a Glance



Meetings (6)

- Research, Development and Innovation Theory of Change meeting - 28 February 2023
- Traceability and Transparency Action Group Interim Meeting - 3 May 2023
- Africa Delegates Meeting - 30 May 2023
- Smallholder Seminar Series 1 – 5 July 2023
- Traceability and Transparency Action Group Meeting - 7 Nov 2023
- Smallholder Seminar Series 2 – 9 Nov 2023



Research

- Research, Development and Innovation Literature Review
- Smallholder Mapping Report
- Traceability and Transparency World Resource Institute (WRI) Report
- Trade and Market development Sustainability Study



Events (2 held by Secretariat)

- FACT Retreat - 27-30 March 2023
- FACT Dialogue Multistakeholder Event - 5 April 2023



External events (7)

- Kew Gardens event - 29 March 2023
- ADP Stakeholder event - 10 May 2023
- FACT-UNFSS Coalition on halting deforestation meeting - 22 May 2023
- Nature-Positive Trade to Deliver the Global Biodiversity Framework: The Role of Business - 15 June 2023
- FCLP meeting - 20 June 2023
- UNEP Trade Hub event - 27 September 2023

Introduction

This progress report was prepared by the FACT Secretariat to update FACT member countries and the wider stakeholder community on progress made in 2023.

The FACT Dialogue is co-chaired by the governments of Indonesia and the United Kingdom and convenes 28 countries that are major producers and consumers of internationally traded agricultural and forest commodities. It aims to collectively share best practices and develop actions that may be related to policies, voluntary approaches, technologies, and innovations for the protection of forests and other key ecosystems, while promoting sustainable trade and development.

Implementing the **FACT Dialogue Roadmap for Action** has continued to guide the initiative's priority areas of work across the four thematic areas of Trade and Markets; Traceability and Transparency; Smallholder Support; and Research, Development, and Innovation. Increasingly, FACT member countries are recognizing the need to advance these conversations together and to break down the 'silos' that inhibit collaboration.

Since the last **Progress Report was launched at COP 27** in Sharm El Sheik, Egypt, work has been ongoing to help countries take actions that enable sustainable trade and development within the context of a rapidly changing global regulatory landscape. The representatives of countries under the dialogue came together in person for the first time in the UK in March 2023 for a three-day retreat, where they reiterated their commitment to halt and reverse forest loss and to contribute to the FACT objectives. They recognized that the value of FACT is in the frank, honest, and respectful exchange among members, and as a platform for learning, relationship building, and informal discussion on complex and sensitive issues. Concluding the retreat, FACT member countries also acknowledged that significant challenges exist related to the changing regulatory landscape,

especially concerning consumer countries' due diligence, traceability, and transparency, as well as the essential need to support smallholder farmers.

We are beginning to see the impact of the dialogue both at national and international levels. In Indonesia, sustainability and trade have been high on the national political agenda. The dialogue has informed regulatory change, contributed to coordination across multiple ministries and departments, and facilitated the formation of new coalitions and task forces to address deforestation associated with commodities.

The progress made by FACT member countries has helped demonstrate and signal a direction of travel towards FACT Roadmap outcomes. For example, this past year saw the rollout of the second strengthened version of the Malaysian Sustainable Palm Oil (MSPO) standards. In Ghana, a Roadmap for Action has been developed nationally, aligned with – and informed by – the ongoing technical work and exchanges within FACT. In Brazil, we have seen deforestation rates plummet as Forest Code enforcement has slashed illegal clearing practices. In the UK, the dialogue has provided important insights that are contributing to the design and development of new regulations on due diligence.

FACT has remained present and relevant in international processes, making meaningful contributions, and regularly sharing information to ensure complementarity with the **Forest & Climate Leaders' Partnership (FCLP)**, the **Amsterdam Declarations Partnership (ADP)**, the **Trade Hub initiative**, and the United Nations Framework Convention on Climate Change (UNFCCC).

In 2023, the work on FACT thematic areas culminated in a series of meetings to address some of the most challenging issues, identifying and understanding needs and gaps related to traceability and transparency; and sharing best practices to scale up support for smallholder farmers.





Trade and Market Development

In 2022, this area focused on priority action areas (i) and (ii) of the FACT Roadmap, establishing ways of working¹ while conducting and discussing an independent mapping exercise to define the role of FACT within the broader landscape of international efforts in order to find common ground on sustainability and trade.

Based on this mapping exercise, updates on FACT have been provided to the **World Trade Organization's Committee on Trade and Environment** (CTE) and informally engaged with Geneva-based organizations, including the WTO Secretariat, the **International Trade Centre**, the **UN Conference on Trade and Development (UNCTAD)**, and the **Forum on Trade, Environment, & the SDGs**. The FACT co-chairs and the FACT Secretariat have also engaged with the Amsterdam Declarations Partnership and the UN Environment Programme's Environment & Trade Hub project to exchange information, learn, and provide updates.

During 2023, FACT members participating in the Trade & Market Development thematic area have progressed action areas (iii) and (iv) identified in the FACT Roadmap, which are pressing issues in the global policy discourse, namely: identifying factors for assessing sustainable production (iii), and market recognition (iv).

One of the most challenging issues identified – which is currently being raised in multiple international forums addressing sustainability in trade – concerns market recognition for producer countries' national approaches to providing assurance of sustainability.² The introduction of due diligence regulations has increased the relevance of this topic as countries seek to understand how they can demonstrate compliance with evolving market requirements. As an initiative that provides a unique space for discussions among producer and consumer countries, the FACT

Dialogue has provided a platform for meaningful exchanges between policymakers.

At the FACT retreat in 2023, presentations were made by representatives of countries that have adopted or are considering such policies. Several participants from producer countries raised questions, citing national circumstances and existing initiatives related to due diligence. The discussion emphasized the need for more communication and understanding between producer and consumer countries on this issue, and on the sustainability of commodities more generally. The FACT Dialogue will continue to provide a platform for this debate.

Part of the challenge is how policymakers in producer and consumer countries assess and define sustainable commodity production when designing related policy or trade frameworks. There are differing perceptions, definitions, and approaches to sustainability and sustainable production among these countries, and measures to achieve sustainability depend on national circumstances at the environmental, social, economic, and political levels. Efforts towards sustainable production are taking place in all the FACT member countries.

In 2023, FACT placed an emphasis on building an understanding of the common factors necessary for sustainable production. This involved examining approaches within the beef, cocoa, palm oil, and timber industries in the various countries producing and consuming these commodities. An internal scoping study has been undertaken to respond to issues raised in the dialogue so far; to stimulate and enhance discussions on sustainable commodities; and to help identify potential areas for further engagement and collaboration. The study analyses existing sustainability concepts and approaches, highlighting the aspects of sustainability – or 'factors' – that are used most frequently to assess the degree of convergence across commodities and geographies, with a view to informing policymakers using or designing these standards. At the retreat, participants reviewed the methodology and scope of the study, as well as the proposed structure of a "sustainable production matrix".

¹ Including the establishment of a FACT 'Trade & Markets Forum'. In 2023, based on country feedback at the UK retreat, the FACT Secretariat decided to de-silo this forum group and reintegrate Trade & Markets discussions into the wider dialogue. Trade & Markets issues are proposed as the primary agenda focus for the next FACT retreat in Indonesia in 2024.

² For example, the sensitivities associated with national market recognition are well articulated in a letter (dated 7 September 2023) from 17 producer countries, many of which are members of the FACT Dialogue, concerning the EU's deforestation regulations. The letter requested recognition for local sustainable practices and conditions while emphasizing the need to include smallholder farmers.



Smallholder Support

FACT member countries have consistently emphasized the need for support to smallholder farmers as they face the increasingly severe impacts of climate change as well as challenges to retaining (or gaining) market access in a changing global regulatory environment. There is consensus on the need to balance production with sustainable resource management, both for global climate outcomes and resilient livelihoods. This has largely been the focus of FACT's smallholder work in 2023.

In collaboration with FACT member countries, an internal scoping study was undertaken, exploring areas of emphasis and gaps to support the implementation of the FACT Roadmap; to identify best practices; and to scale up support for smallholder farmers. This study has been an important part of the process in setting priorities – a key area of discussion at the FACT retreat in early 2023. During this in-person session, presentations were delivered by representatives from Indonesia, Malaysia, and Ghana on national approaches to include smallholders in systems of traceability and transparency.

FACT member countries agreed on six priority areas that ensure equitable and gender-inclusive approaches and guide FACT's work towards increased support for smallholder farmers:



In line with FACT Roadmap actions, a smallholder seminar series was launched, providing a platform to exchange best practices and to help identify approaches for scaling up support and finance for smallholder farmers

The first seminar was held in July 2023 and focused on the subject of living income (LI). In this multistakeholder dialogue, the **Living Income Community of Practice** (LI COP) introduced the concept of LI as the income that a household would need to afford a decent standard of living as well as resilience to withstand unexpected events. It also discussed the potential role of governments in enabling a living income. This was followed by a government-to-government dialogue on learnings from the cocoa sector, highlighting an **LI COP workshop in Côte d'Ivoire** in May 2023 and sharing country perspectives. FACT governments provided examples where a living income has been adopted in various national, regional, and international regulatory tools. The dialogue also heard from the Government of Ghana on its efforts to improve farmer livelihoods through pricing mechanisms; helping farmers to budget based on expected income; accessing regional markets; introducing production enhancement programmes (e.g., new irrigation systems); and promoting access to finance.



The second seminar was held on 9 November 2023, with a focus on strengthening smallholder organizations and professionalization. It was open to stakeholders and countries and was well attended. This event included presentations from the Indonesian Palm Oil Smallholders Association, the **Forest and Farm Facility** and the FACT Dialogue representative from Cameroon. Participants heard about the importance of investing in organizations to address power imbalances and provide smallholders with more negotiating power, with potential support from business incubation programmes. The group received the perspective of a smallholder farmer regarding intergenerational considerations stemming from changes in regulations and technologies and learned about the communication and informational challenges associated with working in rural settings, especially in a country as large as Indonesia. All speakers emphasized the need for the global community to increase support for smallholders in order to achieve sustainability and meet international requirements. From a national perspective, the coordination of stakeholders and smallholders remains a challenge, especially concerning the associated costs. Cross-ministerial coordination in Cameroon was highlighted as a good example to follow.

These smallholder seminars will continue in 2024 to build greater understanding and share lessons. They will include expertise from global and national stakeholders; offer farmer perspectives; and provide a platform for policymakers to share national approaches, as well as their challenges and successes.



Traceability and Transparency

Traceability and transparency (T&T) continue to be the focus of discussions among FACT Dialogue member countries amid the accelerating momentum of government commitments at the national, regional, and international levels; private-sector commitments and pledges; and requirements for disclosure, monitoring, and reporting.

Major challenges include establishing national systems in producer countries to align with the rapidly changing global environment, and ensuring

adequate capacities, finance, and technologies. At the retreat held in the UK and through several government-to-government meetings on the subject in 2023 – under the guidance of Ghana and the UK as T&T co-facilitator countries – FACT member countries consistently reiterated their commitment as a group to working collaboratively in order to tackle the many complex issues related to T&T in supply chains.

Much of the emphasis in 2023 has focused on understanding gaps in T&T systems; identifying success factors; and enabling the conditions needed within T&T systems to deliver improved and more sustainable resource use, as well as the protection and restoration of forests. The World Resources Institute (WRI), the Food and Agriculture Organization of the United Nations (FAO), and Efeca have undertaken a comprehensive study to identify best practices; enabling conditions; and barriers to enhancing T&T in agricultural commodity supply chains. FACT member countries were involved in this study through interviews and had several opportunities to comment on the scope and substance of the work. This input will assist collaborative action among governments, the private sector, civil society organizations, and others working towards enhancing T&T across forest-risk commodity supply chains. The **research has been published online** with a public launch held on 6 November 2023.

A T&T Action Group meeting took place on 7 November 2023 to reflect on the report's findings and discuss how this research can be used to facilitate the next steps within this thematic area.

The 15 countries participating in the meeting highlighted the need to operationalize the research report and some potential areas for work. Discussions will continue, with some initially suggested focal points including data sharing and data management; support for upstream actors – such as smallholders – to prevent undue burdens being placed on them; equitable cost sharing in the transition to sustainable supply chains; the need for consistency in the definitions, goals, and responsibilities of different supply chain actors; and sound approaches to data verification. Additionally, perspectives were voiced on the importance of building trust; the need to continue sharing lessons learned; and the necessary support for countries as they respond to incoming regulations. Insights from other stakeholders were also to be encouraged in discussions.

Key T&T figures from the WRI research report

>20 years

traceability and transparency have been applied in forest and other sectors

94 different T&T tools and initiatives identified³ of which:

85%

do not have publicly shared evidence regarding effectiveness⁴

70%

make data into more accessible or decision-ready

80%

generate data about production circumstances or trade flows of commodities

³ Based on publicly available documents focused on six commodities most associated with forest loss: palm oil, soy, timber, cattle, cocoa, & coffee.

⁴ In preventing commodity-driven deforestation or supporting other environmental impacts.



Research, Development, and Innovation

Work on research, development, and innovation (RDI) has focused on the participatory process concerning a theory of change (TOC) and the preparation of a literature review concerning research partnerships.

An RDI Theory of Change workshop took place in February 2023 with participants including academic and research organizations nominated by FACT countries, as well as representatives from the Government of Brazil. This process resulted in a preliminary TOC diagram presented to countries at the FACT retreat and informs broader FACT strategic discussions.

A central pillar of the TOC implementation concerns the establishment of an information-sharing hub and a strategy for knowledge sharing, including learning events for governments to share their experiences, best practices, as well as tools and methodologies regarding policy and programme development. Seminars, virtual tours, and the online hub within factdialogue.org will also play an important role in this process.

The FACT Roadmap proposes strengthening national institutions' capacity to undertake and lead research partnerships. A literature review was conducted in late 2022 and 2023 to support this work, specifically in relation to North-South, South-South, and triangular cooperation. This review sought to identify (among others) implementation arrangements; hindering or promoting factors; and best practices to develop criteria for successful research partnerships. It found that, in general, research partnerships have delivered beneficial outcomes and impacts to participating institutions and organizations. Nevertheless, several common factors hinder the effectiveness of research partnerships. These include power asymmetries, inequitable relationships, and unequal access to resources between Global North and Global South researchers.

The literature review will be available on the FACT Website.



Outreach, Events, and Multistakeholder Engagement

While FACT is a government-to-government dialogue, FACT participants recognize the importance of collaboration with the wider stakeholder community. FACT has continued to focus on working with leading technical experts, civil society groups and businesses whenever this is relevant to specific discussion and research topics within the dialogue.

After the March retreat in the UK, a multistakeholder event was held at Kew Gardens in London and was attended by more than 200 representatives from businesses, NGOs, and civil society. In April 2023, a FACT multistakeholder event took place and yielded valuable inputs on various stakeholder concerns, such as FACT participation in international initiatives; smallholder issues; the protection of human rights for environmental defenders; gender considerations; the inclusion of Indigenous Peoples' groups; and engagement with the private sector. There was also a focus on the roles that FACT could play in facilitating interaction among stakeholders (e.g., between government and civil society); providing a "safe space" for engagement; increasing mutual understanding of concepts (e.g., sustainability); avoiding duplication of efforts; and developing a forum for the exchange of best practices. As a result of this consultation, the FACT Secretariat is taking measures to enhance stakeholder engagement, especially with Indigenous Peoples.

The FACT Secretariat has also been increasing its engagement with other international initiatives. In late 2022, representatives participated in an event on agriculture and sustainability, organized by the Forum on Trade, Environment and SDGs (**TESS**). In May 2023, the FACT Secretariat took part in the Amsterdam Declarations Partnership meeting, contributing to discussions on traceability and transparency, smallholder inclusion, as well as partnerships and collaborations. Updates and the sharing of information focusing on the UN Food Systems Summit and the Forest & Climate Leaders' Partnership have been ongoing. Close collaboration with the Trade Hub initiative has resulted in invitations to speak about sustainability, trade and the Convention on Biological Diversity and led to partnerships and collaborations during the Asian Regional Consultation held in Jakarta in September 2023.

As an initiative launched within the UNFCCC process, participation in UN Climate Summit events has also been vital. During COP27 in Sharm El Sheik, Egypt, ministers highlighted the importance and relevance of the FACT Dialogue several times during the launch of the **Forest & Climate Leaders' Partnership** and during the Global Landscapes Forum. An event was held in the UK Pavilion with ministerial-level attendance from Côte d'Ivoire, Ghana, Indonesia and the UK, as well as government representation from Brazil, plus others interested and involved in the FACT Dialogue. The event included leaders of large global traders and brands, civil society, and Indigenous Peoples to reflect on progress and explore opportunities for turning ambition into collective action. Several events at the COP27 Indonesia Pavilion highlighted FACT, including the event "Climate Resilience and Energy Transition" on fostering collaborative action, pursuing Indonesia's FOLU net sink target by 2030, and the role of standards to accelerate this ambition.

We appreciate the work of FACT member countries throughout 2023 and very much look forward to continuing our collaboration. With this support, we can move forward with priorities identified in T&T, hold more smallholder seminars, advance work on sustainable production and market recognition along the Trade & Market Development track, and stage an engaging event in March 2024.

For stakeholder engagement opportunities, interested parties should contact the FACT Secretariat and ensure they sign up to receive the **FACT Dialogue Newsletter**, which provides updates on progress and developments within the dialogue as well as opportunities to participate in events.

To sign up for the regular FACT Dialogue Newsletter, click [here](#)





factdialogue.org

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.