



FACT DIALOGUE

Forest, Agriculture & Commodity Trade



FACT Dialogue Progress Report 2024

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 of the Forest, Agriculture and Commodity Trade (FACT) Dialogue throughout 2024. We now have the pleasure of welcoming the Government of Malaysia as the new incoming FACT co-chair.

The co-chairs have been pleased to work in partnership with other FACT member countries to progress 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.

We have, together, delivered a strong body of knowledge and evidence, including targeted research that has facilitated policy discussions on the common factors for sustainable commodity production and on the traceability and transparency of relevant supply chains. We have identified promising approaches for supporting smallholders to participate in, and benefit from, a changing trading environment. We have seen FACT member countries incorporating FACT principles and objectives into national planning, and we have illuminated gaps, challenges and solutions which help to inform climate finance programme design.

FACT member countries continue to show their commitment and willingness to openly engage in constructive discussions, learn from each other, and enhance communications. Through the FACT Forums and online events, we continue to witness the benefits of bringing together the world's largest producer and consumer countries to learn from each other through strong national activities and best practices. Whilst FACT is not a formal negotiating space for policy setting, we are pleased to see countries applying what they learn through the Dialogue and exchange in their own national contexts and interests.

As we welcome our new FACT co-chair, we again, thank and show the greatest appreciation to our colleagues from the Government of Indonesia. Our collaboration since COP26 has successfully

established FACT as a collaborative platform for dialogue and advance the FACT Roadmap actions. We now welcome the fresh ideas and new energy from the Government of Malaysia and look forward to building on the progress so far.

Work is now underway on preparations for the next in-person Forum, which will take place in early 2025. This third FACT Forum will bring FACT officials together in person again for deeper dialogue on a range of issues across the thematic areas of FACT. We look forward to welcoming delegates once again in person, to progress the dialogue on these important topics.

Pressures associated with land use change and deforestation continue and meeting the aims of the Glasgow Leaders Declaration on Forest and Land Use and the Sustainable Development Goals will be challenging. Collaborative initiatives such as the FACT Dialogue have an important part to play in raising ambition and mobilising the required action. The emphasis in the FACT Dialogue on smallholders also underlines how important it is to consider equity in the transition to more sustainable practices and to ensure that measures are put in place to enhance farmer livelihoods and protect vulnerable communities.

We are proud to be a unique space within the broader landscape of actors and platforms addressing critical issues and continue to place emphasis on equitable participation across FACT member countries to ensure the greatest possible collaboration.

The FACT co-chairs would like to express their gratitude to all FACT member governments for their active participation in the Dialogue. As we move into 2025, we invite FACT members to remain engaged, to bring new ideas and strong national examples to the exchange, to build trust and mutual understanding, and participate in a race to the top with higher and higher ambition. We invite countries to work with us to identify the most challenging areas of the shift towards sustainable development and trade, and to address these challenges through open constructive dialogue and respect for one another.



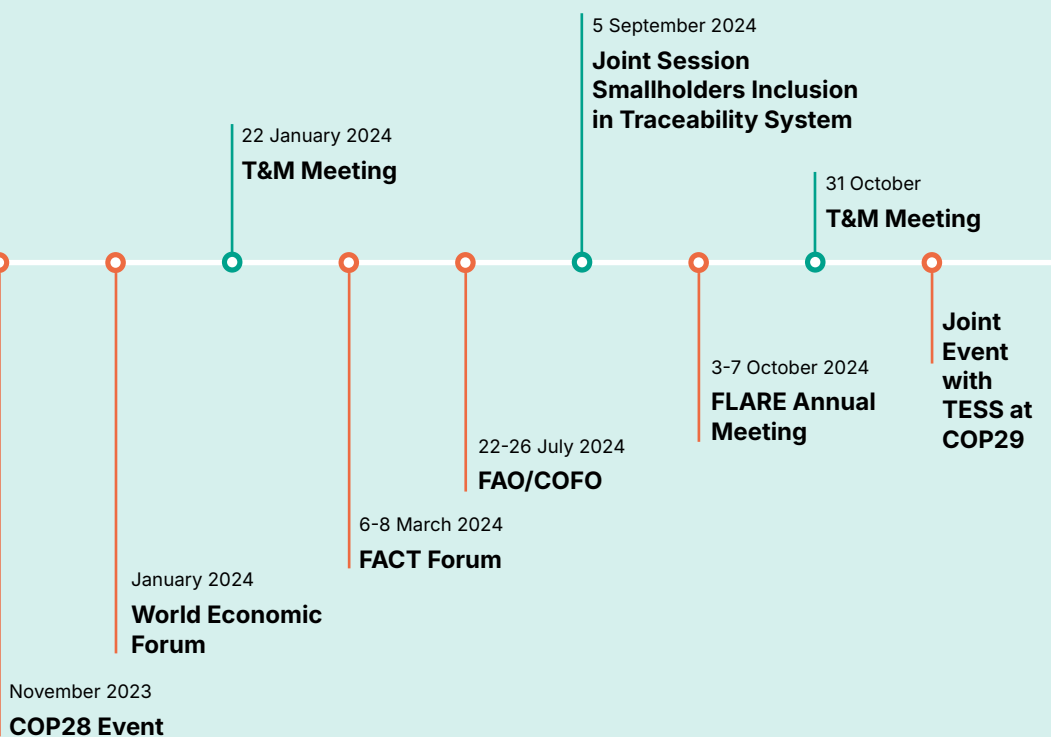
At a Glance



Meetings



Events



Introduction

This progress report has been prepared by the FACT Dialogue Secretariat to update FACT member countries and the wider stakeholder community on progress made since COP28. The FACT Dialogue brings together 28 countries that are major producers and consumers of internationally traded agricultural and forest commodities. It aims to collectively share strong national examples and 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.

During 2024, 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.

FACT is helping to shape the development of policies and regulations concerning sustainable trade and development through a unique and open knowledge exchange platform. We experience strong and consistent participation from global south and emerging market countries, where countries are showcasing national action in line with the FACT Roadmap.

Progress was made in the Dialogue during the 2024 FACT Forum, in Bali, Indonesia in March 2024. The overarching theme of the event was *"Moving Together on Sustainable Trade—Coordinating Efforts on Approaches to Sustainable Commodity Production and Consumption,"* highlighting the aim to support FACT member countries in addressing readiness and needs to implement regulations and wider measures to halt and reverse forest loss by 2030. Member

countries moved towards a common understanding of sustainable production, enhanced their appreciation for ongoing efforts in the global south towards national market recognition and improvements in forest governance, and held an open exchange on challenges associated with consumer market regulations such as EUDR and the UK FRC Regulations. Delegates also agreed on a range of activities for implementation during 2024, including expert seminars on Traceability and Transparency, and agreed to place financing and small-scale agri-food systems at the heart of ongoing work.

We are continuing to see the impact of the Dialogue both at national and international levels. In many countries, sustainability and trade have remained high on the national political agenda, with lessons and insights drawn from the Dialogue informing national policy developments. New international coalitions and task forces, such as the Broader Market Recognition Coalition (BMRC), the Forest Climate Leaders Partnership (FLCP), and the task forces to support the implementation of the EUDR continue to be highlighted and showcased within the Dialogue, with lessons drawn from these complementary platforms informing the exchanges taking place within FACT.

As we move into 2025, with all eyes on ambition and progress towards achieving the goals, targets, and pledges made across multiple international initiatives and conventions, FACT will remain dedicated to ensuring a participatory government-to-government space for dialogue, amplifying voices from global south countries, to identify challenges and contribute to much-needed increased ambition to address the climate and biodiversity crises. We will continue to work collaboratively with countries, creating opportunities to showcase these developments, as we strive to make a meaningful and impactful contribution to the protection of forests and other key ecosystems, while promoting sustainable trade and development.



FACT Roadmap Progress



Trade & Markets

Explore ways for supply- and demand-side policies to better align and incentivize sustainable production and consumption.

- The forum in Bali emphasized T&M including on understanding and discussing emerging regulations, and national approaches.
- Ongoing engagement with countries continues, ongoing T&M meetings and country engagement

Foster a shared understanding of key factors for sustainable production to align expectations between producer and consumer countries.

- [Sustainable Production study](#) and [Matrix](#) published online
- Research highlights commonalities across commodities, identifies gaps
- Ongoing work to document and share national best practice by member countries

Explore ways to enhance global recognition of national sustainability approaches.

- Engagement with the Broader Markets Recognition Coalition (BMRC) during the 2024 FACT Forum
- Work ongoing to continue to identify synergies and opportunities to engage knowledge sharing and learning around national sustainable approaches



Smallholder Support

Improve access to and availability of finance for smallholders

- Emphasis on smallholder access to finance highlighted at the 2024 FACT Forum

Map and consider existing smallholder support schemes Exchange best practice and identify effective approaches to scaling up support and finance for smallholder farmers

- Internal G2G work completed to identify gaps and promising approaches for supporting smallholders
- Six promising approaches identified, including professionalizing smallholder organizations, enhancing technical capacity, securing land rights, improving access to sustainable finance and information, and building resilience through ecosystem restoration
- A series of Expert Seminars organized (and ongoing) to address identified gaps and share best practices, with sessions tailored to the specific gaps and promising approaches identified

Documenting and sharing best practices.

- Ongoing work on documenting case studies and best practices



Traceability and Transparency

Map how the FACT Dialogue can better support other international processes and fora

Direct stakeholder engagement, for instance, through smallholder thematic area meetings, as well as broader engagement with relevant stakeholders and platforms such as WTO, TESS, Trade Hub, FAO, FLARE, ADP, FCLP, and BMRC

Support countries and stakeholders to identify and access funding, technical assistance and capacity building.

The research identified Priority Areas related to data sharing, cost sharing, participation of smallholders, harmonizing terminologies, approaches to verification, collaboration and trust building, and address gaps

Develop a set of guidelines, to inform national government approaches

Ongoing engagement with co facilitator countries continues, to discuss this topic

Assess existing traceability and transparency systems and identify the most significant data gaps

Research report published: [Traceability and Transparency in Supply Chains for Agricultural and Forest Commodities.](#)

A Message from Indonesia

The Government of the Republic of Indonesia has co-chaired the FACT Dialogue since its launch at COP26 in Glasgow, together with the Government of the UK. During this time, we have appreciated that the FACT Dialogue is a sign of the collective commitment of the world's largest producer and consumer countries, to collaborate with one another through an open forum to work together to achieve sustainable development and trade while protecting forests and other critical ecosystems. We have and continue to recognise the FACT Dialogue as an important platform for action to address climate change and biodiversity loss and promote sustainable livelihoods.

As we now transition into a leadership role on the thematic area of Trade & Markets, we welcome the new incoming co-chair, the Government of Malaysia. We look forward to continuing to work closely with our colleagues from Malaysia and the UK, as we take the FACT Dialogue into 2025 and beyond.

The Government of Indonesia is proud of our achievements during our time as co-chair of the FACT Dialogue. Our involvement and leadership of this important initiative has contributed to our efforts at the national, regional, and international level towards achieving sustainable supply chains. At the national level, we have consulted on the FACT Roadmap, raising awareness at a ministerial level, and we have explicitly linked FACT to our objective to become a FOLU net sink by 2030 and has contributed to work on standards in Indonesia concerning traceability and transparency, including a recent Presidential regulation concerning the Indonesian Sustainable Palm Oil (ISPO) initiative, which is currently awaiting Presidential approval. Our work on the FACT Dialogue has also provided Indonesia with an opportunity for enhanced coordination across ministries, which we recognise as important when addressing complex matters in the land sector, especially across trade, sustainability, the environment, biodiversity, and climate change. Our Ministry of Environment and Forestry has led the co-chairing role within FACT, providing strategic oversight and guidance, and speaking at high level events, whilst the day-to-day implementation of our engagement in the dialogue has been led by the Coordinating Ministry for Economic Affairs and through an Indonesian FACT Secretariat. We have also coordinated with the Ministry of Agriculture at different points during this period.

At a regional level our role in FACT has supported the establishment of the Ad Hoc Joint Task Force between Indonesia & Malaysia with the EU, to address concerns, support coordination, and promote mutual understanding of sustainable production, and traceability and transparency. And at an International level, our leadership in FACT has supported the establishment of the Broader Market Recognition Coalition (BMRC), which builds on the work of the FLEGT / VPA (Forest Law Enforcement, Governance and Trade / Voluntary Partnership Agreement) process. The BMRC presently has six member countries (Cameroon, Ghana, Guyana, Indonesia, Liberia, and the Republic of the Congo) and seeks to incentivize

good forest governance through mutual recognition of national timber legality assurance and sustainable forestry systems facilitated by an independent assessment process.

During our time as Co-Chair, we have had the pleasure of hosting two visits from the FACT representatives of the Government of the UK to Indonesia. These official visits allowed us to have in depth strategic discussions about the dialogue as co-chairs. We were also very pleased to host our colleagues from the UK on field trips to see examples of sustainable forest management and biodiversity conservation in North Sumatra, Aceh, and Kalimantan.

In March 2024, Indonesia was pleased to host the second FACT Forum, which was held in Ubud, the culturally rich spiritual centre of Bali. Countries from around the world came to Indonesia to further our work on sustainable trade, and in the process, experience some of the culture, food and experiences we have to offer guests. We are pleased with the outcomes of the 2024 FACT Forum having the opportunity to progress discussions on national market recognition and highlighting the ongoing needs of vulnerable smallholder farmers.

Participation in and organising events have been an important part of the dialogue since its launch in 2021. During this time, we have enjoyed hosting several events in Indonesia and internationally, including our FACT launch event in Jakarta in 2022 with representatives from the UK and Indonesia, and members of Indonesian civil society and the private sector. During our time as Chair of the G20, also in 2022, we held an event on FACT, on the sidelines of the Agriculture Ministers meeting. At an international level, we have hosted several events during UN Climate Conferences, at COPs 26, 27 and 28 in the Indonesian Pavilion, as well as partnered with the UK in FACT events held in the UK Pavilion. We have also enjoyed providing strategic guidance to the FACT Secretariat in preparing the many online events held across the FACT thematic areas of work concerning Smallholder Support, Traceability and Transparency, Trade & Markets and Research, Development and Innovation.

Indonesia reaffirms its commitment to the FACT Dialogue, and we very much look forward to continuing a leadership role within FACT, as we transition to the co-facilitation of the thematic area of Trade & Markets alongside the UK. We acknowledge the good work that has taken place on this track of work within the Dialogue, concerning progress towards a common understanding of sustainable production, and look forward to increasing emphasis on national market recognition.

We again would like to extend our gratitude to the Government of the UK and our colleagues in the FACT Secretariat, as well as our own staff and advisors who have supported our work as a co-chair. We also welcome our colleagues from the Government of Malaysia into the role and stand by to provide any support needed. We look forward to continuing in our efforts with you all, as we move into 2025, the fourth year of the FACT Dialogue.



The 2024 FACT Dialogue Forum

In March 2024, representatives of FACT Dialogue member countries gathered in Ubud, Bali, Indonesia for the 2024 FACT Forum under the theme: “Moving Together on Sustainable Trade—Coordinating Efforts on Approaches to Sustainable Commodity Production and Consumption.” The event was hosted by the Government of Indonesia and supported by the Government of the United Kingdom. It was attended by FACT representatives from eighteen FACT member countries. The event was opened by Vice Minister Dr Alue Dohong of the Ministry of Environment and Forestry, Indonesia, who noted the importance of the FACT Dialogue as a platform for action to address climate change and biodiversity loss and promote sustainable livelihoods.

Throughout the course of the three days, FACT member countries were provided with opportunities to work together across each of the thematic areas of the Dialogue, and to exchange information and lessons drawn from their national experiences including related to enhanced and common understandings of sustainable production; market recognition of national systems; regulatory changes across the landscape; and collaboration in preparation for incoming market regulations.

A range of examples from different countries were highlighted in line with the FACT Roadmap. On the important subject of the changing regulatory landscape, and preparations for incoming market requirements and regulations, the group heard about national approaches to traceability systems for coffee and cocoa in Cote d'Ivoire, Ghana, and other countries, highlighting the progress being made by countries in the implementation of these systems. On support for smallholder farmers, emphasis was placed on the very significant finance gap and recognition that small-scale farmers are crucial for global food production but receive only a tiny fraction of available climate finance, even though they are vulnerable to climate change impacts.

The importance of guidance for the implementation of new regulations was also emphasized, with countries hearing more about the ASEAN-China Guidelines and Trade Cooperation on Biodiversity Conservation, which identify biodiversity issues during investment and trade activities and require the application of environmental protection and

biodiversity conservation measures. Examples presented concerned sustainable soy, the sustainable natural rubber standard, and sustainable palm oil, as key commodities of focus within the Dialogue.

At an international level, countries heard more about the Ad Hoc Joint Task Force, which was established between Indonesia, Malaysia, and the EU in August 2023 to address concerns, support coordination, and promote mutual understanding in relation to the implementation of the EUDR.

FACT members also had productive exchanges on challenges around emerging market regulations such as the European Union's Deforestation Regulation (EUDR), the UK's Forest Risk Commodity (UKFRC) Regulations, and China's agricultural investment policies and green supply chain initiatives. They discussed efforts being led by the EU to address challenges in producer countries, to support coordination and promote mutual understanding. The group learnt about the core duties on large companies operating in the UK, under the UKFRC. Information was also shared around the China/UK collaboration through the International Forest Investment and Trade (INFIT) programme, whereby these countries are collaborating on policies and systems such as guidelines to promote responsible overseas trade and investment practices in relevant sectors and developing partnerships with producer countries to promote strong forest governance.

The event concluded with concrete outcomes to continue implementing the FACT Roadmap, including through expert seminars, and government-to-government events. The feedback was positive from all participants, with several countries commenting that the event showed that effective collaboration is taking place amongst countries through FACT, as an important platform for working towards common understandings and sharing of expertise and national level experiences. Some expressed that the conference provided several concrete activities to take back to their respective countries to influence policy development. The event was described as enriching, and generating a lot of value, with appreciation being shown for the transparent and open approach taken by participating delegates. Countries also expressed their ongoing commitment to continued engagement with the FACT Dialogue and look forward to further concrete ideas being developed over the next year, and at future FACT Forums.



During 2024, FACT members participating in the Trade & Market Development thematic area continued to progress discussions and share national experiences around two priority areas of work, namely (1) enhancing a common understanding of sustainable production, and (2) national market recognition.

In an important development within the Dialogue, the Government of Indonesia transitioned from their role as FACT CO Chair, to join the UK and become the Co Facilitation country on this thematic area of work.

Working towards a common understanding of Sustainable Production

FACT member countries have agreed that it is important to work together to build an understanding of the common factors necessary for sustainable production. A scoping study and literature review has been led by the FACT Secretariat, with regular country consultations, and has involved examining how sustainability is defined and implemented within the beef, cocoa, palm oil, and timber industries in various countries producing and consuming these commodities. The ongoing work has analysed existing sustainability approaches, highlighting 'factors' that are most frequently used to identify areas of alignment and divergence across commodities and geographies, and build an evidence base in the form of a 'matrix' identifying the impact and effectiveness of sustainability initiatives.

FACT member countries have met on several occasions and participated in consultations on the literature review and common factors of sustainability matrix, which are based on four pillars of sustainability - environmental, social, economic and political considerations. The study has identified that the commonly prioritized issues are: ecosystems protection and management, working conditions and rights, and living income and diversification of livelihoods. The issue least often prioritized is the payment of taxes and fees. It has also emerged that social aspects of sustainability receive less attention, with relatively little attention paid to cultural beliefs and practices, and local and traditional knowledge. Differences have also been observed across sectors. For example, cocoa prioritizes ecosystem restoration and commodity prices, and investment in sustainable production. In timber, greater priority is attached to political aspects of sustainability, such as legal and institutional frameworks.

The literature review also draws out some of the most commonly identified challenges across the different sectors, grouping these under four themes:

1. The design, monitoring and evaluation of many initiatives lacks transparency, or standardized robust methodologies for monitoring impacts and undertaking evaluations.
2. In many contexts, smallholders and farming communities remain relatively marginalized with limited power to shape interventions, meaning that their needs and priorities are not adequately addressed.
3. Approaches to sustainable agriculture and forestry focus primarily on large-scale models of production without fully addressing their impacts on cultural diversity and social cohesion.
4. Commodity prices set on international markets are outside of the control of governments or farmers, so there is a need to explore potential mechanisms to regulate prices and strengthen the position of farmers in negotiations.

During the FACT Forum in Bali, participants welcomed the sustainability criteria matrix and literature review, as useful tools for building common understanding and agreed to work towards publication of the materials. They highlighted the need for balance across consumer and producer perspectives, and how further emphasis may be placed on those areas identified as receiving less attention. The lack of alignment regarding the definitions concerning 'deforestation', 'forests', and 'sustainability' continued to be raised as a concern.

Throughout 2024, work has been ongoing to further refine and finalise the '[common factors of sustainability study and matrix](#)', including an event that was held in October, which brought FACT member countries together once again to share national examples concerning steps being taken to work towards sustainable production. This event heard examples from the Republic of the Congo, Germany and Peru, placing emphasis on the need for enhanced support for smallholder livelihoods and capacities of smallholder farmers, commodity and trade linkages between different ecosystems, challenges associated with legality, lack of data and how to balance the economic needs with the environmental needs. The event also heard about a range of solutions, including through partnerships among consumer producer countries, and private public partnerships, and through the use of digital tools to fill in the gaps in data knowledge, and the increasing implementation of national strategies to scale up good practices.

Frequency of references to sustainability criteria across various FACT-related commodities

		 Beef	 Cocoa	 Palm Oil	 Timber
Environmental					
 Ecosystem	<ul style="list-style-type: none"> Ecosystem protection and management, including forests Ecosystem restoration & reforestation Biodiversity protection 	<div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div>
 Climate	<ul style="list-style-type: none"> Mitigation Adaptation & resilience 	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>
 Water	<ul style="list-style-type: none"> Water management Rivers & water bodies 	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>
 Soil	<ul style="list-style-type: none"> Soil management 	<div>●</div>	<div>●</div>	<div>●</div>	<div>●</div>
 Waste	<ul style="list-style-type: none"> Chemical & waste management 	<div>●</div>	<div>●</div>	<div>●</div>	
 Animal welfare		<div>●</div>			
Social					
 Workers' rights	<ul style="list-style-type: none"> Working conditions & rights Equity/gender/discrimination 	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>
 Human rights	<ul style="list-style-type: none"> Land & resource rights Food security 	<div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div>
 Communities	<ul style="list-style-type: none"> Community institutions Benefit sharing Social infrastructure 	<div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>
 Culture	<ul style="list-style-type: none"> Cultural beliefs & practices Local & traditional knowledge 	<div>●</div> <div>●</div>			<div>●</div> <div>●</div>
Economic					
 Livelihoods	<ul style="list-style-type: none"> Living income & diversification/alternative livelihoods 	<div>●</div>	<div>●</div>	<div>●</div>	<div>●</div>
 Payment of taxes and fees					
 Prices	<ul style="list-style-type: none"> Prices, sustainability premiums & market access 		<div>●</div>	<div>●</div>	<div>●</div>
 Investment	<ul style="list-style-type: none"> Access to credit, investment & farm development plans 	<div>●</div>	<div>●</div>	<div>●</div>	<div>●</div>
Political					
 Legality	<ul style="list-style-type: none"> Legal compliance Law enforcement Corruption 	<div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>	<div>●</div> <div>●</div>
 Governance	<ul style="list-style-type: none"> Legal & policy framework Institutional framework Participation in policy-making Transparency and ethics Financial management Research & training 	<div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div> <div>●</div>

Legend ● Strong ● Medium

(Source: [Sustainability Study](#))

National Market Recognition

Momentum is now building on this track of work, under the leadership of Indonesia. During the Forum in Bali, country representatives of the [Broader Market Recognition Coalition](#) (BMRC) informed the group of the initiative, which builds on the work of the FLEGT / VPA (Forest Law Enforcement, Governance and Trade / Voluntary Partnership Agreement) process. The BMRC presently has six member countries (Cameroon, Ghana, Guyana, Indonesia, Liberia, and the Republic of the Congo) and seeks to incentivize good forest governance through mutual recognition of national timber legality assurance and sustainable forestry systems facilitated by an independent assessment process.

The discussion placed emphasis on efforts to promote the application and harmonization of nationally-owned forest management standards and timber legality assurance systems across member countries. Presenters noted the potential for inclusive, national scale approaches to mitigating the risk of creating 'islands of good' that is inherent with schemes targeting specific concessions. Participants agreed on the importance of a collaborative, multi-stakeholder approach involving industry, civil society, and governments, and the importance of independence of assessment bodies, coupled with process to support capacities of public and private sector to move in the right direction, to achieve sustainability. The BMRC is focused on timber, discussion included reflection from some participants on the potential to expand the work across other commodities, noting the potential for other sectors to adopt similar approaches if producer countries are incentivized to develop national systems with the assurance that this will lead to market recognition.

The FACT Secretariat will continue to work with Indonesia and FACT member countries, to build on the leadership shown by those producer countries involved in the BMRC, to make a meaningful contribution to a narrowing of the gap between producer and consumer countries regarding national market recognition across commodities. This will be achieved through the generation and dissemination of knowledge, evidence, advice and sharing of best practices and inform policy reform on the subject.



Enhancing understanding of the ways in which FACT member countries can support smallholder farmers has remained a priority during 2024. Building on the expert seminar events to share best practices held during 2023, countries have commenced consideration of how to improve access to and availability of finance for smallholders, including to support the transition towards sustainable production. Countries continue to recognise that small-scale farmers are crucial for global food production but receive only a tiny fraction of available finance, even though they are highly vulnerable, for example, to the impacts of climate change.

During the FACT Forum in Bali, the ClimateShot Investor Coalition (CLIC) presented on their report: [The Climate Finance Gap for Small-Scale Agrifood Systems](#). FACT representatives heard that agrifood systems received only 4.3% of global climate finance in 2019/20, equivalent to US\$28.5 billion per year, which is disproportionately low given that they are responsible for around one-third of global GHG emissions. The report finds that small-scale agrifood actors receive US\$5.3 billion per year, only 0.8% of global climate finance flows or 19% of the climate finance flowing to agrifood systems. CLIC estimates that small-scale agri-food actors' unmet general financing needs to be around US\$276 billion annually. In response, country representatives expressed that multinational agri-food companies must do more to ensure that smallholders in their supply chain can access profit and finance.

In September 2024, the first joint event of thematic areas took place on the subject of smallholder inclusion in traceability and transparency systems. The event was well attended by twenty member countries. Integration was a key theme of the event, in terms of both harmonising national and private sector T&T systems, and in working across the whole value chain to ensure no actors are left behind. Beyond integration, the importance of capacity building and support for smallholders was repeatedly stressed as systems will not move forward if smallholders do not benefit. Data sharing should be equitable to create incentives for participation and should go both ways. Transformation across the value chain was emphasised, including both consumer and producer sides, and it was noted that support should reach both organised and individual smallholders - including women and marginalised groups.

Takeaways from First Joint Event on Smallholder Inclusion in Traceability (September 2024)

The event provided concrete examples of T&T systems, showing how they address challenges and issues faced by smallholders. Some key takeaways from the session:



Multi-level integration

Ensuring collaboration across national systems and private sectors throughout the value chain is essential to leave no one behind. This approach helps avoid financial investments staying at the national level without tangible impact on the ground.



Empowering smallholders

It is vital to go beyond mere integration and focus on improving the well-being and benefits for smallholders.



Equitable data sharing

Collecting data from smallholders and returning value to them through actionable insights is critical to fostering engagement and sustainability in the sector.



Transformation over small adjustments

While incremental changes can help, they are not always enough. To truly transform the value chain, we need to rethink both the consumer and producer roles, drawing from existing practices and future innovations to foster meaningful change.





Traceability and Transparency

During the Forum in Bali, countries considered further work that could be undertaken, building on the 2023 research of the World Resources Institute (WRI), the Food and Agriculture Organization of the United Nations (FAO), and Efec; to identify best practices, enabling conditions, and barriers to enhancing T&T in agricultural commodity supply chains. Countries shared national experiences to build the shared knowledge base and identify gaps where FACT could provide guidance as envisaged in the FACT Roadmap. Discussions revolved around priority areas identified as follows:

It was agreed that a series of expert seminars would be held, to explore these identified key priorities, creating the basis for the aforementioned event concerning smallholder inclusion in traceability and transparency systems. These seminars will continue throughout 2025 and will bring experts together to share country experiences and lessons addressing specific challenges and identifying gaps and needs for policymakers and funders.





Research, Development, and Innovation

The FACT Dialogue is continuing to provide an effective platform for sharing of lessons and information across countries within the context of a changing regulatory landscape to achieve sustainable trade.

In the Trade & Markets thematic area, the scoping study and matrix have provided a useful opportunity for countries to collaborate around the areas of convergence and divergence on the subject of sustainable production. This research has provided countries with an opportunity to exchange views, and identify where there is alignment as all countries work within their national circumstances to achieve sustainable trade.

The WRI, FAO & Efeca report that was produced on Traceability and Transparency has provided countries with an opportunity to collaborate through consultation from start to finish in this process, from the development of methodologies and approaches through to the completion and application of the research. This work has assisted countries to align around a series of priority areas for further deep dive and expert seminars and enhanced their shared understanding about T&T.

During 2025, FACT will continue to prioritise knowledge dissemination as a core function via knowledge sharing seminars, thematic area meetings, presentations, and outputs focusing on innovative practices, which include strategies for balancing production with protection.



Events, Outreach & Engagement

Through the past year, the FACT Dialogue has maintained presence at important international events. During COP28 in Dubai, an interactive event was held at the UK Pavilion, exploring linkages between sustainable commodity trade for resilience food systems, people, and the climate. The event

heard from the UK Minister of State for Energy Security and Net Zero, Mr Graham Stuart, and from Indonesia, the Vice-Minister for the Environment and Forestry of Indonesia, Dr. Alue Dohong, both emphasizing the need for sustainable development and trade while protecting forests and other critical ecosystems. Mini dialogues were also held on the thematic areas of Traceability and Transparency, Support for Smallholders, and Trade & Markets. During the World Economic Forum in Davos, representation from the FACT Dialogue highlighted that a core purpose of the Dialogue is to contribute to rebuilding trust through open and transparent dialogue, to foster a sustainable food system. At the UN FAO's 27th Session of the Committee on Forestry (COFO) conference held in August 2024, and at the annual FLARE conference held in October, the FACT Secretariat was represented, providing information to conference participants on the dialogue, highlighting its features as a government-to-government exchange for knowledge sharing and providing insights as to the ongoing work across the FACT thematic areas.

Stakeholders have been engaged through surveys, information sessions, event participation, engagement with relevant organizations, and ad hoc involvement in thematic areas and expert seminars. The FACT Secretariat will continue to draw on insights and feedback gathered from countries and stakeholders to strengthen collaboration with existing platforms and venues, increase synergies, facilitate the exchange and dissemination of knowledge available in other platforms, and contribute to driving progress towards the objectives of the FACT Dialogue.

Enhanced country engagement has also been prioritised during 2024, for the purpose of strengthening the basis for greater alignment, trust, international collaboration, and mutual accountability between engaged policy actors. The FACT Secretariat has placed increasing emphasis on outreach to FACT members, bilateral meetings, and coordination with countries, to enhance understanding as to how to ensure FACT remains beneficial to all member countries, whilst making a meaningful contribution on the ongoing discourse concerning the achievement of sustainable production and consumption.

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](#).





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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.