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# PROGRAMME COMMITTEE

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**Report on progress and achievements in the implementation of the  
FAO Strategy for Private Sector Engagement 2021-2025**

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### EXECUTIVE SUMMARY

- This document provides a report on progress and achievements in the implementation of the new Strategy for Private Sector Engagement in the first year since its approval by the 165th Session of the Council in December 2020.
- It provides an overview of FAO's work with the private sector in 2021, focusing on the actions taken to *increase* engagement with the private sector, *support* FAO's ongoing private sector engagements and *sustain* this work in the future, all while building on lessons learned and insights from the first year of implementation.<sup>1</sup>
- The results of the first year of the Strategy's implementation indicate that FAO has taken a proactive, yet risk-conscious, approach in pursuing engagements with the private sector. The due diligence framework (FRAME) built into the engagement cycle has helped to safeguard FAO's neutrality and independence as the Organization works closely with the private sector to support the 2030 Agenda through the transformation to MORE efficient, inclusive, resilient and sustainable agrifood systems, for *better production, better nutrition, a better environment*, and a *better life* – leaving no one behind.
- Over the past year, FAO's work with the private sector has been underscored by a commitment to transparency and accountability, and supported by increased efforts both in the institutional setting and in the capacity of FAO personnel to ensure that the Organization can deliver on the vision of the Strategy. Lessons learned and insights derived from this first year of the Strategy's implementation will be integrated and built upon to guide engagements with the private sector in the coming years.

### GUIDANCE SOUGHT FROM THE PROGRAMME COMMITTEE

- The Programme Committee is invited to review the progress of FAO's work with the private sector and take note of the key elements which will contribute to guiding these engagements in the future.

#### Draft Advice

##### **The Committee:**

- noted with appreciation the progress and achievements in the implementation of the FAO Strategy for Private Sector Engagement 2021-2025; and
- welcomed the key directions for the future outlined in this report, and supported continued engagement of FAO with the private sector in support of Members' achieving the SDGs.

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<sup>1</sup> A full detailed report covering this period is available on [www.fao.org](http://www.fao.org)

## I. Background and context

1. At the 165th Session of the Council held in December 2020, FAO Members approved FAO's *Strategy for Private Sector Engagement 2021-2025* (henceforth "the Strategy"). The Strategy reflects FAO's new forward-looking vision for strengthening strategic engagement with the private sector in order to leverage and support increased private sector support for the achievement of the Sustainable Development Goals (SDGs), with an important focus on country-level impact.

2. Recognizing the private sector as a key development partner and an integral part of our economy and society, the Strategy encourages all FAO personnel to take a proactive approach in engaging with the private sector to identify innovative, scalable solutions to realize FAO's aspirations of *better production, better nutrition, a better environment* and a *better life* for all, leaving no one behind. Engagement with the private sector, as outlined in the Strategy, directly supports FAO's regional priorities and Programme Priority Areas, and the Strategy's implementation, in turn, is supported by all levels and all areas of the Organization, from headquarters to the Decentralized Offices.

## II. Connecting with the private sector: 2021 engagement highlights

3. In 2021, FAO engaged with a wide variety of private sector entities, through multiple means, including informal discussions, jointly-organized events, data sharing, and formal partnership agreements. All engagements were assessed for their potential to advance progress towards the SDGs and contribute to FAO's aspirations, in order to bring about a transformation of agrifood systems. All engagements were required to demonstrate a clear added value for FAO and its Members, and offer scalable, high-level impacts at national, regional or global levels.

4. The Strategy defines engagement with the private sector as any type of interaction with business entities. In 2021, the vast majority of FAO's private sector engagements were of an informal nature, with a relatively small number of engagements constituting formal partnerships, defined as "cooperation and collaboration between FAO units and external parties in joint or coordinated action for a common purpose"<sup>2</sup>. FAO concluded 2021 with 40 active formal partnerships with the private sector, established through various legal instruments, including Memoranda of Understanding (MoUs), Letters of Intent (LoIs) and Exchanges of Letters (EoLs). Detailed information on all formal private sector engagements is available online on FAO's CONNECT portal.<sup>3</sup>

5. **Geographic coverage.** During 2021, FAO's formal partnerships with the private sector supported activities around the world, including in Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), and Small Island Developing States (SIDS). Thirty-four percent of these formal engagements supported activities in Africa, while 31 percent supported work in Asia and the Pacific. Twenty-five percent of formal partnership activities were carried out in Latin America and the Caribbean, while the Near East and North Africa and Europe and Central Asia accounted for 16 percent each.

6. **Beneficiary groups.** Farmers, particularly smallholders, and national or local institutions of FAO Members were the main beneficiaries of FAO's private sector engagements in 2021. Thirty-four percent of all formal engagements supported national and local institutions, providing capacity development, facilitating data sharing and dissemination, and creating knowledge products. An additional 28 percent of formal partnerships provided advisory services and capacity development to smallholder farmers or facilitated the development of policies and tools to support them. Other primary categories of beneficiaries included micro, small and medium-sized enterprises (MSMEs), other food producers, retail and agribusinesses, refugees and vulnerable communities, women and youth.

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<sup>2</sup> The FAO Organization-wide Strategy on Partnerships (2012).

<sup>3</sup> <https://www.fao.org/connect-private-sector>

7. **Areas of focus.** During 2021, capacity development and advisory services were the most represented focus areas in the portfolio (16 percent), while other prominent areas included value chain development, food loss and waste, sustainable agriculture, and technology and innovation.

8. **SDG contributions.** All of FAO's engagements with private sector entities contribute to achieving at least one SDG, with most partnerships supporting the achievement of multiple SDGs. More than 50 percent of FAO's formal private sector engagements contribute to achieving SDG 2-Zero Hunger, while a significant portion also contribute to SDG 1-No Poverty, SDG 10-Reduced Inequalities, SDG 12-Responsible Consumption and Production, SDG 14-Life Below Water and SDG 15-Life on Land.

9. **Private sector resource mobilization.** The Strategy focuses on promoting direct private sector investment in countries to close key financing gaps that impede the achievement of the SDGs. However, the private sector - primarily charitable foundations - also supports FAO programmes and projects directly through financial and in-kind contributions. In 2021, FAO received over USD 38 million in contributions from the private sector, to new or ongoing projects or through multi-donor trust funds. These contributions supported FAO's work in a number of areas, including water management, climate finance, food safety education, access to financial services for smallholders and agricultural SMEs, and support to the desert locust response to mitigate impacts on food security and livelihoods.

### III. Supporting delivery of the Strategy

#### A. Alignment with United Nations values

10. FAO's work with the private sector is fully integrated into the broader United Nations (UN) context, with its support for country-owned and country-led solutions. FAO's Country Programming Framework (CPF) is now fully derived from the United Nations Sustainable Development Cooperation Framework (UNSDCF), aligns with its cycle, and is based on the UN Common Country Analysis. The UNSDCF development, implementation, monitoring and reporting phases are co-led by national governments and anchored in national development priorities and cycles. FAO's due diligence and risk assessment approach is also appropriately structured to facilitate joint engagements and partnerships at country level.

11. The Strategy also remains fully aligned with the UN Global Compact, whose own strategy aims to realize five strategic shifts to enable meaningful new actions in current global, environmental, and social contexts: 1) accountable companies; 2) balanced growth of local and regional networks for global coverage; 3) measurable impact in prioritized areas; 4) harnessing the collective action of SMEs; and 5) strong and active engagement with the UN. The interagency work done within the Global Compact has provided a guide for the development of FAO's new, fit-for-purpose framework for due diligence and risk assessment/management.

#### B. Creating a supportive environment

12. **Managing risks.** The new FAO Framework for Due Diligence and Risk Assessment/Management for Engagements with the private sector and other Non-State Actors (FRAME) offers a structured approach to risk identification, assessment, mitigation and management, in order to support the transition from a "risk averse" to a "risk conscious" approach to partnering. FRAME foresees a balanced approach between the risks identified through the due diligence screening, the benefits and impact foreseen and the development of mitigation actions identified in the elaboration of the newly introduced Impact/Benefits, Risk Mitigation and Risk Management Plan (IBRMP) for medium and high-risk cases. FRAME was welcomed by FAO's 168th Session of Council as Annex II to the Strategy and is fully aligned with the United Nations Global Compact and other UN Organizations.

13. Independent due diligence screenings and risk assessments are conducted by the Project Support Division (PSS) and support the informed decision-making process of the Engagements and Partnerships Committee (EPC). The EPC was established at core leadership level in April 2021 to

review and decide on all engagement proposals with low (*ad interim*), medium and high risk prior to their further development and pursuit and to provide policy guidance on the Organization's approach on engagements with the private sector and other non-state actors (NSAs). Since its establishment and until the end of February 2022, the EPC has held 11 meetings, reviewed 69 proposals (of which 22 were low risk; 34 medium risk; 12 high risk; and one that fell under FAO's Exclusionary Criteria). The majority were endorsed with conditions, primarily to strengthen the proposed risk mitigation measures. Four proposals were not endorsed.

14. **Empowering personnel.** The Strategy envisions that all FAO personnel have a role in supporting private sector engagement, and important time investments in personnel capacity have been made. During 2021, the Strategy was introduced to FAO personnel through tailored presentations which targeted specific technical profiles within the Organization, including in Decentralized Offices, and several Offices and Divisions within FAO worked together to create a comprehensive training programme: *Developing Capacities for Engagement with the Private Sector*. This is designed to equip FAO personnel with the tools needed to successfully engage with the private sector, including a *Practical Guide – How to engage with the private sector*, an e-learning course, and webinars tailored to specific regional and technical contexts. It will be rolled out to all FAO personnel from early May 2022.

15. **Ensuring technical ownership.** To ensure the quality and added value of its work with the private sector, a Technical Officer from the relevant Office/Division is assigned as Partnership Manager (PM) to lead each engagement, report on partnership results and monitor and manage any identified or emerging risks to FAO. PMs must submit annual progress reports for all formal engagements, reporting progress against defined workplan targets, FAO Strategic Framework, and the SDGs.

16. **Sharing experiences.** FAO's Private Sector Inter-Departmental Working Group (IDWG) provides an internal forum for personnel from across the Organization to share knowledge and experiences relating to their engagements with the private sector. The IDWG helps to drive the successful implementation of the Strategy within the Organization.

17. **Establishing direct dialogue with the private sector.** To complement these internal perspectives, the Organization is in the process of establishing an informal Private Sector Advisory Group (PSAG), which was endorsed at the 168th Session of the FAO Council and will serve as an independent consultative forum to enhance FAO's work with the private sector. The PSAG will comprise a group of 25 private sector representatives, drawn from a diverse geographical and typological range of private sector entities, and will include five Observers from the FAO Membership, one from each Conference Region.<sup>4</sup> These representatives will provide, on a voluntary basis, private sector perspectives to FAO through regularly scheduled meetings, helping the Organization to consider the views and suggestions of the private sector on how to expand and deepen strategic partnerships and improve FAO's outreach. The role of the PSAG will be strictly advisory; while it may make recommendations, all decisions regarding implementation of the Strategy will rest with FAO.

### C. Commitment to transparency and accountability

18. In line with the Strategy's commitment to increased transparency and accountability for FAO's work with the private sector, FAO launched in April 2021 the CONNECT portal for private sector engagement. Available in all FAO languages, CONNECT is an online, one-stop-shop for FAO's private sector engagements, offering stories of the impact of joint work and profiles of all formal partners, as well as opportunities and a guide to the engagement process for private sector entities interested in working with FAO. For FAO personnel, the portal also offers access to additional

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<sup>4</sup> According to Rule XXXV, paragraph 1 of the FAO Basic Texts, "There shall be Regional Conferences for Africa, Asia and the Pacific, Europe, Latin America and the Caribbean, and the Near East, which shall normally meet once every biennium in non-Conference years."

resources to support and guide them in engaging with the private sector. By the end of 2021, the portal had been visited by users from nearly 180 countries.

19. FAO Management has fully supported the implementation of the Strategy, leading or participating in a number of outreach activities which facilitated closer engagement with the private sector. These included individual meetings with private sector entities, Chambers of Commerce, industry, or sectorial associations; multi-stakeholder conferences or initiatives involving public-private partnerships; and seminars to promote joint work or with the private sector in attendance.

## IV. Sustaining impact and scaling up

### D. Key factors for successful engagements

20. During the first year of the implementation of the Strategy, four elements stood out as key factors for successful private sector engagements. These included: 1) investing the necessary time in building real partnerships, with clear scope and targets, agreed-upon deliverables, and motivated teams on both sides; 2) doing the necessary exploration and assessments well in advance to understand the potential benefits and risks and the transaction requirements of a proposed engagement; 3) ensuring strong technical ownership of each partnership so that adequate resources are allocated and quality work plans developed; and 4) the importance of bringing everyone to the table – with a wide range of views and perspectives – in order to bring about real change.

21. FAO remains fully committed to ensuring that the voices of all actors are heard, and supports a broad diversity of approaches and solutions to complex development challenges. One of the most efficient ways to achieve this is to work with private sector associations. Engaging with the association, rather than its individual members, allows all voices to be heard and reduces risk while increasing the potential for positive outcomes.

### E. Key directions for the future

22. **Private sector engagement to achieve the four betters.** Going forward, FAO's work with the private sector will continue to support FAO's Programme Priority Areas, helping to drive the transformation to MORE efficient, inclusive, resilient and sustainable agrifood systems and contribute to *better production, better nutrition, a better environment, and a better life* leaving no one behind. Particular importance will be given to supporting regional and national engagement opportunities, in support of national priorities and needs, through FAO's projects, programmes, CPF and the broader UN goals through the UNSDCF. New engagements with the private sector will also contribute to FAO's Hand-in-Hand (HIH) Initiative. As countries in HIH Initiative complete the necessary technical studies and agree upon programme entry points, value chains, territories and markets (typically both national and international), private sector engagement will play an important role in fostering inclusive and sustainable growth.

23. **Expanding the reach of engagements.** Year 2021 saw a substantial increase in proposals for engagements with the private sector across FAO. As the level of interest has grown, so too has the number of requests for due diligence to ensure that FAO adequately manages the risks associated with private sector engagement and preserves its reputation, neutrality, impartiality and independence. Conscious of the resources required to manage a growing portfolio while effectively managing risks, FAO aims to strike a balance between the number of formal and informal engagements, with the overall goal of building impactful and innovative private sector collaborations that make a meaningful contribution to FAO's mandate and the SDGs, rather than focusing on numerical quotas of formal partnership agreements. The expectation is that informal engagements, tracked through CONNECT, will outnumber formal partnerships at a ratio of 20:1. The potential of certain types of private sector entities, specifically charitable foundations, is also being explored, building on an in-depth study currently underway.

24. **Professionalizing relationship management.** Responding to a need to manage its private sector engagements - particularly informal ones - in a more systematic, comprehensive way, as well as

to improve efficiency, FAO is investing in a Customer Relationship Management (CRM) system integrated into CONNECT, accessible to designated FAO personnel. The CRM system will automatize the engagement process and facilitate closer collaboration and communication with FAO's partners, by tracking, collecting, and managing data about engagements in a more efficient manner. The better FAO knows its partners, the more value is added, as authentic relationships help to build trusted connections and achieve common goals, including the SDGs. The CRM system will be fully rolled out in the second half of 2022.

25. **Continued investments in personnel capacity development.** The success of FAO's private sector engagements greatly depends on the Organization's personnel, and how knowledgeable and confident they feel in engaging with the private sector. In order to build successful engagements and properly nurture existing partnerships, FAO personnel must have the necessary soft skills and outside-the-box thinking, and become more familiar with private sector ways of working, communication style, and business mindset, as well as related risks for FAO, mitigation measures and related management set up. To support these goals, a priority throughout 2022 will be the continued investment in capacity development, particularly in the regional and country offices, to equip personnel with the necessary knowledge and skills to engage effectively, including understanding how to balance impacts and risks and learning to design appropriate mitigation measures.