

CL165/4 – Information Note 2 - November 2020
FAO’s Strategy for Private Sector Engagement 2021-2025

**Proposed roadmap to address Members’ comments
received after issuance of CL165/4 Rev.1**

I. Process Context

1. The proposed new Strategy for Private Sector Engagement 2021 - 2025 is a “living” document, reflecting FAO’s medium-term vision for engagement with the private sector, in light of emerging development trends and common practices of the United Nations (UN) System. The Strategy also envisions proactive engagement with the private sector aiming at ensuring impactful results to be assessed and monitored through the Strategic Framework which will be aligned with the Sustainable Development Goals (SDGs).
2. The Strategy proposes a series of new agile approaches and instruments to ensure effective engagement, while clarifying the “principles for engagement” aimed at protecting FAO’s neutrality, impartiality, integrity and reputation, and as well as ensuring adherence to the values of FAO and the UN System at large.
3. Management warmly welcomes the high level of interest, valuable insights, perspectives and constructive recommendations from FAO Members that have been made throughout the extensive consultation process prior to, and during, the relevant discussions in the Council Committees.
4. This Information Note 2 is presented following the specific request from the Joint Meeting (JM) of the 129th Session of the Programme Committee and 183rd Session of the Finance Committee as follows:

The JM¹ “welcomed the confirmation of Management to incorporate the comments and suggestions of the Joint Meeting” and “recommended its adoption at the 165th Session of the Council”.
5. This Note sets out the comments and suggestions received and makes proposals regarding their inclusion in the Strategy, should the Strategy be adopted by the 165th Session of the Council, as summarized in the Annex. It also sets out proposed timing for actions to be taken in this context.
6. Immediately upon Council’s approval, a revised version of the Strategy will be prepared based on the guidance in the Council’s report on this matter. The Strategy will be issued in the form

¹ Joint meeting report CL165/9 para 9 q and r.

of a publication, rather than in the form of a document presented for consideration of the Governing Bodies.

II. Summary of timeline, key commitments and deliverables

7. FAO Management intends to take the steps necessary to enable implementation of the Strategy as soon as it is endorsed by the Council. Should the Council provide its endorsement at its 165th Session, by the second quarter of 2021, the following will have been achieved:
 - a) the launch of a first version of the Connect Portal online repository;
 - b) the development of the streamlined due diligence framework for non-governmental institutions;
 - c) the detailed TORs of the informal Private Sector Advisory Group (PSAG), which will be shared through an informal briefing to the Members; and
 - d) the progress of the PSAG will also be reported as an item under the regular annual reporting of the Strategy to the relevant Governing Bodies for information purposes.
8. At the Fall 2021 Joint Meeting of the Programme and Finance Committees and the Session of the Committee on Constitutional and Legal Matters, Management will present an updated version of the Strategy for Private Sector Engagement 2021-2025 which contains:
 - a) the adjustment, if necessary, to ensure full alignment of the Strategy with the new Strategic Framework 2022-2025;
 - b) the streamlined due diligence framework and the final PSAG Terms of Reference as annexes.
9. This revised text above will be submitted to the Council Session thereafter for approval.
10. With a first annual progress report to the Governing Bodies on the implementation of the new Strategy to be provided in the Fall 2021 Session, Members will be able to review the analysis of existing partnerships in light of the new Strategy.
11. Furthermore, the requested first year evaluation will be reported to the governing bodies (i.e., the Spring 2022 Joint Meeting and the Council session thereafter), which should also contain the cost-benefit analysis of the Strategy and FAO's business model for engagement with the private sector.
12. Simultaneously, as outlined in the Annex I on early action plan of the Strategy (CL165/4 Rev.1), Management will:
 - a) finalize other relevant internal operational instruments (e.g. staff guide, etc.);
 - b) conduct a series of capacity development and training activities for the decentralized offices;
 - c) organize a series of outreach and communication campaigns to reach out to private sector prospective partners;

- d) operationalize the full functioning of the Connect Portal.
13. It should be noted that the Strategy cannot accommodate all relevant internal operational instruments within the document. Some instruments are internal tools designed to ensure implementation by FAO personnel in full conformity with the Strategy approved by Members.

Annex. Summary of the immediate revisions to the Strategy

Herein below more specific responses and additional clarifications to the comments and requests by the Council Committees are provided. These are either already reflected in the current version of the Strategy (CL165/4 Rev.1) or will be immediately integrated in the adopted Strategy.

| Proposed roadmap to address Members' comments received after issuance of CL165/4 Rev.1 | | |
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| Key topics | Council Committees recommendations and requests | Proposed textual changes and observations |
| Importance of the principles of engagement | <p>CCLM <i>“unanimously endorsed the overarching legal principles that should govern FAO’s engagement with the private sector as reflected in document CCLM 111/2 with a view to preserving the legal and constitutional status of the Organization in accordance with its Basic Texts.”</i> (CL165/12 para 12)</p> <p>CCLM <i>“observed that, in balancing respective interests, FAO’s goals should be prioritized and UN values promoted.”</i> (CL165/12 para 13)</p> <p>JM <i>“underlined the importance of the principles for engagement as drivers for the implementation of</i></p> | <ol style="list-style-type: none"> 1. It is recalled that the Strategy explicitly states that FAO’s engagement with private sector partners will be guided by the principles for engagement that are clearly laid out in the paragraph 19 and not open to negotiation. The principles will be integrated throughout the operationalization of this Strategy including the due diligence framework. 2. In order to reinforce this point, a new sentence will be supplemented following paragraph 19 as a paragraph 20 that, “respecting the principles for engagement mentioned above, all activities of partnerships are aligned with national priorities, and with FAO’s Strategic Objectives. Partnerships are inclusive, driven by real needs and demands on the ground. Joint initiatives with partners are developed in close prior consultation with local and indigenous communities, where it is appropriate, with clear objectives to achieve zero hunger, no poverty in particular rural poverty, reduced inequalities, increased rural employment, better access of smallholders to land and other natural resources, services, finance and markets, etc. with a view to improving their livelihoods, protecting environment, while preserving biodiversity and soil fertility.” 3. In addition, a footnote to paragraph 19 will be added to explain that, “FAO may develop, as required, other legal documents applicable for partnership with private sectors beyond the existing set (Memorandum of Understanding, Letter of Intent, etc.) to tailor to specific needs and requirements for the expanded areas of engagement that will be guided by the principles of engagement.” |

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| | <i>the Strategy.</i> ” (CL165/9 para 9c) | |
| Alignment with the new Strategic Framework | JM “ <u>underlined the importance of sequencing the draft Strategy with the Outline of the Strategic Framework as one of the catalyzers and an umbrella framework to support FAO to achieve the goals of the new Strategic Framework, and urged that the Vision statement remain aligned with the outline and further development of the new Strategic Framework.” (CL165/9 para 9g)</u> | <p>4. Management will ensure the full alignment of the Strategy to the new Strategic Framework (SF). The paragraph 30 of the document CL165/4 Rev.1 will be adjusted to clarify the sequence, which should read that, “the development of the new Strategic Framework offers the opportunity to further elaborate and embed new areas of focus and ways of working to help countries achieve the SDGs. This Strategy will be fully aligned with the new Strategic Framework upon its approval at the FAO Conference in July 2021.”</p> <p>5. The Strategic Framework is the policy instrument which applies and governs engagement with the private sector for a given period of time, currently set to 2021-2025, to further strengthen the partnerships with the private sector in its work, for achieving desired results at all levels with a specific attention to results on the ground.</p> |
| Committee on World Food Security (CFS) policy instruments | JM “ <i>requested FAO to encourage private sector partners to consider to adopt Committee on World Food Security (CFS) policy instruments, given their voluntary nature.</i> ” (CL165/9 9h) | <p>6. This is in essence the spirit of the new way of engagement called “SDG alignment” (Table 2.2 of the document CL165/4 Rev.1). One of the key objectives of FAO’s private sector engagement is precisely to encourage, incentivize and provide guidance to partners to help them adopt these policy products. Therefore, explicit language will be provided in the next version of the Strategy stating that, “FAO will encourage private sector partners to consider adopting CFS policy instruments, given their voluntary nature”, in particular under the footnote 9, 24 and/or 26 of the same document.</p> |
| Inclusivity and diversity | JM “ <i>stressed that the new Strategy should place great emphasis on ensuring engagement with a balanced, broad and geographically diverse range of private sector actors, with significant emphasis on micro, small and medium-sized enterprises (MSMEs) both in the proposed informal Private Sector Advisory Group (PSAG) and for operational engagement.</i> ” | <p>7. It is already agreed that smallholder farmers’ organizations as well as MSMEs will be a part of the informal Private Sector Advisory Group (PSAG), which is explicitly noted in the CL165/4 Rev.1. The current version of the Strategy has the dedicated paragraph 32, explaining FAO’s approach to ensure inclusivity of private sector interventions especially with smallholders and MSMEs.</p> <p>8. To reinforce this point, next version of the Strategy will include “enterprise structure/size” as one criterion for diversity under paragraph 37 which should read diversity (geographical, categorical and “enterprise structure/size”). Furthermore, paragraph 29 on “desired outcomes” point a) will be reinforced as “Private sector partners, “especially MSMEs in Small Island Developing States, Least Developed and Landlocked Developing Countries”, are engaged in inclusive and sustainable food systems development.....”.</p> |

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| | (CL165/9 para 9j) | |
| Informal Private Sector Advisory Group (PSAG) | JM <i>“requested that Members be informed on the establishment as well as the composition of the informal PSAG, including information on its size, rotation and observers, through its regular report to Governing Bodies.”</i> (CL165/9 para 9k) | <p>9. The informal, flexible and cross-cutting nature of this Group is underlined. The PSAG is not proposed as a formal structure with a reporting line to the Governing Bodies. By incorporating FAO Members as observers to the PSAG, the transparency of the Group to its Members will be maintained. Management welcomes Members’ strong interest in the PSAG and agrees to specify this request in the immediate revision of the Strategy in paragraph 37 stating that, “FAO Members will be informed on the composition of the informal PSAG, including information on its size, rotation and observers, through FAO’s regular reporting on implementation of the Strategy to Governing Bodies.”</p> <p>10. Management is ready to brief FAO Members on the work and recommendations of PSAG periodically during the course of the operationalization of the Strategy, combined with the regular reporting of the Strategy implementation to the relevant Governing Bodies. The draft Terms of Reference of the PSAG attached to the document CL165/4 Rev.1 will be replaced by the final ToRs as annex to the Strategy by the Fall 2021 Session.</p> |
| Due diligence and risk management | <p>CCLM <i>“highlighted the need to strengthen safeguards and mechanisms to maintain FAO’s impartiality, integrity and reputation, emphasizing the importance of due diligence mechanisms and risk management to uphold these legal principles and FAO’s institutional framework.”</i> (CL165/12 para 13)</p> <p>CCLM <i>“underlined that the Strategy should closely follow and be consistent with UN system policies and reports, including the “Guidelines on a Principle-</i></p> | <p>11. Management is cognizant of the criticality of risk management in the implementation of the Strategy. Management appreciates the high interest from the Council Committees on FAO’s due diligence process as a critical issue.</p> <p>12. The current version of FAO’s Strategy for Private Sector Engagement 2021-2025 (CL 165/4 Rev.1) is fully consistent with the conclusions of the Committees.</p> <p>13. With respect to the UNSDG Common Approach, see paragraphs 20 and 49. Paragraph 52 on exclusionary criteria replicates the “common set of exclusionary criteria” of the UNSDG Common Approach.</p> <p>14. With respect to the UN Global Compact, see footnote 17, in which FAO commits to adherence to the 10 Principles of the UN Global Compact. See also the Exclusionary Criteria derived from the UNSDG Common Approach, which precludes engagements with private sector entities that <i>“have systematically failed to demonstrate a commitment to meeting, or failed to meet in practice, the principles of the United Nations, including statements or principles that are consistent with and reflect ... the United Nations Global Compact.”</i></p> <p>15. In the specific context of due diligence, the Strategy reflects criteria that will permit or preclude partnering with specific private sector entities, bearing in mind the values of</p> |

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| | <p><i>Based Approach to the Cooperation between the United Nations and the Business Sector”, “The United Nations System-Private Sector Partnerships Arrangements in the context of the 2030 Agenda for Sustainable Development” and the “UNSDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships.” (CL165/12 para 14)</i></p> <p><i>JM “stressed the importance of maintaining FAO’s impartiality, integrity and reputation.” (CL165/9 para 9d)</i></p> <p><i>JM “emphasized the importance of due diligence mechanisms and risk management to avoid potential conflicts of interest, specifically in but not limited to FAO’s work on policies, norms and standard setting; requested the need for the full alignment of the Strategy with the UN Global Compact; and requested the due diligence mechanisms and rules to be updated and annexed to the Strategy once it is finalized and to be periodically reviewed by the relevant Governing Bodies.”</i></p> | <p>the UN System and the legal and constitutional status of FAO. As the CCLM highlighted, there is a need “<i>to strengthen safeguards and mechanisms to maintain FAO’s impartiality, integrity and reputation</i>” in the selection of private sector actors with which FAO should engage.</p> <p>16. The Strategy thus incorporates the broad scope of UN System instruments, from those voluntary multi-stakeholder frameworks designed to encourage companies to adopt socially responsible and sustainable business practices (such as the UN Global Compact) to UN System coordinated instruments addressing how UN agencies should engage with the private sector and providing guidance for due diligence and other processes (such as the UNSDG Common Approach).</p> <p>17. Taking into account the observations as outlined above, Management plans to brief Members as to how the due diligence will function in FAO once the streamlined procedure is in place. Furthermore, Management is in agreement that the streamlined due diligence framework once defined will be annexed to the updated version of the Strategy as requested by the JM.</p> <p>18. As an immediate response, a sentence to specify the process will be added in the immediate update of the Strategy, stating that “the due diligence mechanisms and rules will be updated and annexed to the Strategy and be periodically reviewed by the relevant Governing Bodies” under paragraph 49.</p> <p>19. It should also be noted that the streamlined due diligence framework will be ready for Members’ review during the second quarter of 2021, prior to the Spring 2021 Session.</p> <p>20. The final operationalized due diligence framework will be annexed to the updated Strategy and presented at the Fall 2021 Session.</p> |
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| | (CL165/9 para 9e) | |
| Review of the current private sector partnerships | JM <i>“requested FAO to conduct a review of the current partnership agreements including their related documents, in light of the new Strategy and to report to Members on its conclusions and proposed actions.”</i> (CL165/9 para 9m) | 21. As a demonstration of Management’s commitment to meet this request, a paragraph will be added in the evaluation section of the document (e.g., paragraph 66) to read, “FAO will also conduct a review of the current partnership agreements in light of the new Strategy, and report to Members on its conclusions and proposed actions through its regular reports to the relevant Governing Bodies.” |
| Regular monitoring and evaluation | JM <i>“welcomed the inclusion of regular reporting on the progress of the Strategy implementation and partnerships through the Programme Committee as outlined in the Strategy, and requested a thorough evaluation of the first year of implementation.”</i> (CL165/9 para 9p) | 22. Management confirms that FAO will review the status of the Strategy implementation on an annual basis and will report on the progress of the Strategy implementation through the relevant Governing Bodies as outlined under paragraph 62. FAO also recognizes the need for monitoring, and possible revision on the basis of lessons learned, and will make an explicit reference in the revised Strategy to confirm that FAO, “will provide Members with an annual report on its implementation through the reporting mechanism mentioned above, noting that the Strategy is a living document” under paragraph 64. 23. As a Management response to the requested first-year evaluation, a paragraph will also be added in the evaluation section of the document (e.g., paragraph 66) confirming that, “a thorough evaluation of the first year of implementation will be carried out. The first-year evaluation will focus on an assessment of the early implementation status of the Strategy rather than the impact on its beneficiaries, highlighting the areas for further improvements and adjustments for better engagement with the private sector.” 24. Under the same section, a slight adjustment will be made to specify the scope of the regular evaluation is to assess the overall impact of this Strategy for FAO and “on the beneficiaries of the partnerships” (paragraph 66). 25. Similarly, slight adjustment will be made under “SUSTAIN” section to explain better on the impact measurement. The revised text under paragraph 41 will read, <i>“This should include data and other metrics associated with the SDGs “and align with the indicators and targets in” the Strategic Framework to measure the impact of engagements with the private sector.”</i> |
| Budgetary | JM <i>“noted that there is no</i> | 26. Management will clarify the issue in the next revised Strategy to read that, “the |

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| implication | <p><i>additional budgetary implication in 2021 and that no core budget resources will be transferred to private sector entities, requested further information on the costs and benefits of the private sector Strategy, stressing the need to avoid additional budgetary implication, and requested the further analysis of FAO's business model, different funding sources and how these will be reported on in the future version.</i>" (CL165/9 para 9n)</p> | <p>implementation of the action plan annexed to the Strategy may have budgetary implications. Currently there is no additional budgetary implication in 2021 as the work has been already planned in the Programme Work and Budget (PWB) 2020-21. For the future work, the necessary adjustment will be reflected in the Medium Term Plan (MTP) 2022-25 and PWB 2022-23." (under paragraph 61).</p> <p>27. Cognizant of the further work derived from the request on the cost-benefit analysis and FAO's business model, this cannot be accommodated immediately. However, Management confirms that this will be integrated into the scope of the first-year evaluation and will be reported to the Spring 2022 Session.</p> |
| Transparency | <p>JM <i>"welcomed Management's commitment to increase transparency, and stressed the need that all partnership documents, including its Memorandum of Understanding (MoU), Letters of Intent or other forms of agreements be accessible through the Connect Portal."</i> (CL165/9 para 9l)</p> | <p>28. This is to reaffirm that transparency to its Members is the highest priority for Management. This was made clear in CL165/4 Rev.1 under footnote 29 which states that, <i>"for FAO personnel and Members, full disclosure of partnership agreements will be ensured, while access by external parties may be restricted"</i>. To reinforce this point, the revised Strategy will explicitly mention that, "all partnership documents, including MoUs and other forms of agreements, will be accessible through the portal" under paragraph 35.</p> |
| The importance of the tailored approach and capacity development | <p>JM <i>"underlined the importance of tailored action and capacity building, especially at decentralized offices."</i> (CL165/9 para 9f)</p> <p>JM <i>"requested to change the name of priority partnership area "Eradicating rural poverty" to</i></p> | <p>29. The importance of capacity development at decentralized offices will be emphasized during the course of implementation of the Strategy and will be reinforced in paragraph 61, stating that, "in particular, capacity development and training of FAO personnel at the decentralized level and the headquarters on how to apply the provision of the Strategy into practice will be given a high priority in the first year of the implementation."</p> <p>30. Management also took note of the requested change indicated in the JM report CL165/9, paragraph 9i, and this will be reflected immediately in the next version of the Strategy document.</p> |

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| | <i>“Promoting rural development and eradicating rural poverty.”</i> (CL165/9 para 9i) | |
| Other specific recommendations | <p>31. Although it is not documented in the final report of the Council Committees, Management also took note of the various interventions made by the Members during the discussion of the Council Committees and confirms its agreement to adjust the Strategy immediately upon endorsement of the Strategy by the Council, of other specific comments such as:</p> <p>a) Scope of the private sector: Terms of “livestock herders” and “foresters” will be inserted to reinforce a broad array of entities as private sector entities (paragraph 22).</p> <p>b) Table 2.1 and 2.2 on the existing/additional structures of engagement: Management took note of the similarities observed between “knowledge and research” under the existing structure and “innovation” under the additional structure, as well as between “resource mobilization” and “support for financing and development”. Further adjustment will be made to clarify the differences.</p> <p>c) The scope of the Strategy: As a response to a question raised by some Members on the scope of the Strategy, the revised Strategy will explicitly mention that, “Partnerships with academic and research institutions, and with civil society are managed separately and are out of the scope of this Strategy, while noting the importance of all non-government institutions for FAO.” as a footnote to paragraph 23.</p> <p>d) Innovation: In order to reaffirm FAO’s intention to consider diverse forms of innovation, the text under “innovation” of the Table 2.2 will be modified to read that, “the private sector will help to ensure that FAO applies not only modern science and technology but also adopts all forms of innovative approaches to new situations and challenges”.</p> <p>e) Agri-food system and climate change: In order to provide a balanced view on the agriculture sector’s association with climate change, the paragraph 30h) will be modified to read, “Agriculture and food systems have a large environmental footprint, while recognizing the function of carbon sequestration of the agriculture sector, as well as the role being played by the sector in achieving food security”.</p> | |