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PROGRAMME COMMITTEE

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Update on FAO's private sector engagement

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EXECUTIVE SUMMARY

- This document provides an overview of FAO's work with the private sector in 2022, focusing on the actions taken to *leverage* engagements with the private sector, *support* FAO's ongoing private sector engagements and *refine* this work in the future, all while building on lessons learned and insights from the second year of implementation of the Strategy for Private Sector Engagement 2021-2025¹.
- The results of the second year of the Strategy's implementation indicate that FAO continues to take a proactive, yet risk-conscious, approach in pursuing engagements with the private sector. The due diligence framework (FRAME) built into the engagement cycle continues 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 continued commitment to transparency and accountability, supported by digital tools that allow for improved monitoring and evaluation and a more strategic, proactive approach to identifying impactful engagements. Continuous capacity building for FAO personnel ensure that the Organization can continue to deliver on the vision of the Strategy.

GUIDANCE SOUGHT FROM THE PROGRAMME COMMITTEE

- The Programme Committee is invited to take note of the document.

Draft Advice

The Committee:

- **noted with appreciation the progress and achievements in FAO's engagement with the private sector in 2022, and the lessons learned 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 Sustainable Development Goals (SDGs).**

¹ A full detailed report covering this period is available on www.fao.org

I. Background and context

1. At the 165th Session of the FAO Council held in December 2020, Members approved the *FAO Strategy for Private Sector Engagement 2021-2025*² (henceforth “the Strategy”). The Strategy reflects FAO’s new forward-looking vision for strengthening strategic engagement with the private sector in order to leverage increased support for the achievement of the Sustainable Development Goals (SDGs), with a 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 to identifying engagements that will provide 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 priorities contained in the Strategic Framework 2022-31 and its Programme Priority Areas (PPAs). In turn, all levels and parts of the Organization, from headquarters to the Decentralized Offices, are supporting the Strategy’s implementation.

II. Connecting with the private sector: 2022 engagement highlights

3. In 2022, FAO engaged with a wide variety of private sector entities, through multiple means, including informal discussions, jointly organized events, capacity development, access to technology and formal partnership agreements. All engagements were assessed for their potential to advance progress towards the SDGs and contribute to realize FAO’s aspirations, in order to accelerate agrifood systems transformation. All engagements were required to demonstrate a clear added value for FAO and its Members, and offer scalable, high-level impacts at national, regional and global levels.
4. The Strategy defines engagement with the private sector as any type of interaction with business entities. In 2022, some 90 percent of FAO’s private sector engagements were of an informal nature³, with a relatively small number of engagements formalized. FAO concluded 2022 with 44 active formal engagements with the private sector. Twenty-eight (28) were established through memoranda of understanding (MOUs) - full-fledged partnerships with detailed work plans on areas of work, containing impact indicators as well as roles and responsibilities. Fourteen (14) were established by letters of intent (LOIs) which record an intent to discuss the potential areas of joint work in the future, but do not create any legal, financial or other obligations. Two (2) were formalized by exchanges of letters (EOLs) - an instrument currently being phased out. Detailed information on all private sector engagements is available online for Members and FAO personnel on FAO’s CONNECT Portal⁴. Over the past year, the portal was enhanced to include Customer Relationship Management (CRM) functionality, which was released for global use across the Organization in December 2022.
5. **Geographic coverage.** Out of 44 formal engagements, the majority (22) have a global focus of action; nine have a regional scope, three a subregional scope and ten have a national focus. Many benefit least developed countries such as the Central African Republic, Mozambique, Nepal, Rwanda, Somalia, South Sudan, Uganda, United Republic of Tanzania and Yemen; land-locked countries such as Azerbaijan, Bolivia (Plurinational State of), Kyrgyzstan and Mongolia; and Small Island Developing States (SIDS), including Maldives and Papua New Guinea.
6. **Beneficiary groups.** Farmers, particularly smallholders, continued to be the main beneficiaries of FAO’s formal private sector engagements in 2022 (37 percent), followed by national or local institutions of FAO Members (16 percent). Other primary categories of beneficiaries included micro-, small and medium-sized enterprises (MSMEs), other food producers,

² Document CL 165/4 Rev.1 <https://www.fao.org/3/nd961en/nd961en.pdf>

³ Not formalized through the signature of a legal instrument (e.g. informal discussions, jointly organized events).

⁴ <https://www.fao.org/connect-private-sector>

retail and agribusinesses, women and youth.

7. **Areas of focus.** During 2022, capacity development continued to be the most represented focus area in the portfolio (27 percent). Other prominent areas included value chain development and access to finance and investments, followed by MSME empowerment, advocacy and communication, the Hand-in-Hand (HIH) Initiative, innovation for agriculture, climate change, sustainability, data collection, digital transformation and agrifood systems.

8. **SDG contributions.** In 2022, over half of FAO's formal private sector engagements contributed to three SDGs – Goal 2: Zero Hunger, Goal 1: No poverty and Goal 12: Responsible consumption and production. These engagements contributed to FAO's *four betters* almost equally, as well as all PPAs, predominantly BP1: Innovation for sustainable agriculture production, BN5: Transparent markets and trade, BE1: Climate change mitigating and adapted agrifood systems, BN4: Reducing food loss and waste, BN3: Safe food for everyone, and BP4: Small-scale producers' equitable access to resources.

9. **Informal engagements.** Since enhancing the CONNECT Portal with CRM functionality, FAO has been able to collect more complete data on informal engagements. By the end of 2022, 399 entities were registered on CONNECT as informal contacts. The largest number of informal collaborations were with MSMEs (42 percent), followed by industry and trade associations and large national companies (15 percent each), and multinational corporations (10 percent). These engagements contribute to the achievement of various SDGs, with the biggest share contributing to Goal 2: Zero Hunger (25 percent), Goal 1: No Poverty (18 percent) and Goal 17: Partnerships for the Goals (9 percent). They contribute to all of FAO's *four betters* and PPAs, and focus most prominently on capacity development (30 percent), followed by rural development, access to finance and investments, food security, nutrition and agrifood production.

10. **Empowering women.** Recognizing women as important agents of change in agrifood systems transformation, FAO and the International Agri-Food Network (IAFN) launched an Accelerator Mentorship Programme for women-led SMEs in sub-Saharan Africa, a region with one of the highest rates of female entrepreneurship in the world. Built around one-to-one mentorship offered by 50 experienced women business leaders, expert-led workshops, and online courses, the six-month programme supports 50 women entrepreneurs to grow their enterprises and help them combat the challenges and constraints they face.

11. **Partnerships for influence.** Engagements with private sector industry associations and umbrella entities were prioritized in 2022. These types of private sector entities have a unique potential to catalyse and influence their membership at a pre-competitive stage to adopt sustainable business strategies and practices, and encourage commitments and facilitate investments in agrifood systems transformation. In 2022, FAO signed new agreements with two private sector associations - the International Chamber of Commerce and the World Economic Forum.

12. **Scaling up investments.** As a part of the solution to bridge the financing gap needed to achieve Agenda 2030 and the SDGs, FAO is mobilizing the support for the implementation of nationally-led, nationally-owned ambitious investment programmes to accelerate agrifood systems transformations through the HIH Initiative. FAO organized the HIH Investment Forum in October 2022, where 20 countries presented their priorities for value chain investments. The private sector was represented by input and equipment suppliers, solution providers for improved access to climate financing, carbon credits, investment funds and banks through the HIH matchmaking approach. A number of private sector entities are following up and exploring financing and investments in Africa, Asia and the Pacific, and Latin America and the Caribbean.

13. **Awareness raising at scale.** In 2022, FAO partnered with DreamWorks Animation and the United Nations Foundation for an advocacy campaign to celebrate the International Year of Fruits and Vegetables. The campaign aimed to raise awareness of the important role of fruits and vegetables in creating a happy and healthy planet, and featured a short awareness-raising video starring DreamWorks' Trolls. The video was viewed more than 2.5 million times across different platforms; garnered more than 70 000 connections in 12 languages on social media; and was viewed

approximately 50 000 times on the children's videosharing platform "Zigazoo".

III. Supporting delivery of the Strategy

A. Alignment with United Nations values

14. 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 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 a risk conscious approach to private sector engagements at global and country level.

15. The Strategy is also 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

16. The FAO Framework for Due Diligence and Risk Assessment/Management for Engagements with the private sector and other non-state stakeholders (FRAME) provides 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 Impact/Benefits, Risk Mitigation and Risk Management Plan (IBRMP) for medium and high-risk cases. FRAME was welcomed by the 168th Session of the Council as Annex II to the Strategy and is fully aligned with the United Nations Global Compact and other UN organizations, and its implementation in 2022 has been a priority.

17. 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 stakeholders. During 2022, the EPC held eight meetings and reviewed 51 proposals for engagements (of which 13 were assessed low risk; 20 medium risk; 17 high risk; and one which fell under FAO's exclusionary criteria). Eighty-four percent of the proposals reviewed by the EPC (approximately) were endorsed with or without conditions to strengthen the risk mitigation measures proposed. Since its establishment in April 2021, in total, the EPC has reviewed and decided on 109 proposals for engagement. Following these decisions, further work is then undertaken to develop the proposals that are chosen to be formalized into a partnership.

18. **Empowering personnel.** Building the capacity of FAO employees to engage with the private sector remains high on the agenda. In 2022, a comprehensive private sector capacity development package was rolled out, including a practical guide on how to engage with the private sector, a series of webinars on private sector engagement tailored to different regional and technical profiles, an e-learning course and a training programme for 100 focal points across FAO on the use of the CRM system. The series of twenty-one half-day workshops on engaging with the private sector were organized for FAO personnel in headquarters and Decentralized Offices. A large majority reported an increase in their confidence and knowledge levels regarding engaging with the

private sector. Ninety-seven percent of the participants reported that they would recommend the webinars to their colleagues.

19. **Ensuring technical ownership.** The Organization continues to place a strong emphasis on technical ownership of engagements with the private sector. Each engagement has a Partnership Manager who is responsible for managing day-to-day activities within the engagement, ensuring their quality, strategic relevance and compliance with FAO procedures. The reporting process on the progress of private sector engagements is currently being digitalized through the CRM system, and related performance indicators are under review to ensure that engagements with the private sector deliver measurable results against agreed targets in their work plans and are aligned with FAO Strategic Framework 2022-31 and with the SDGs.

20. **Sharing experiences.** FAO's revitalized *Private Sector Inter-Departmental Working Group (PS-IDWG)* now focuses on thematic discussions chosen by working group members, with the goal to better support the implementation of the Strategy from technical and operational perspectives. In 2022, two meetings of PS-IDWG were held, where participants explored the themes “opportunities for private sector engagement in PPAs” and “the private sector as a game-changer for inclusive economic growth”.

21. **Establishing direct dialogue with the private sector.** FAO completed the process of establishing the informal *Private Sector Advisory Group (PSAG)*, which was endorsed at the 168th Session of the FAO Council. The PSAG serves as an independent, advisory consultative forum to enhance FAO's work with and outreach to the private sector. A list of PSAG Member nominees was established in consultation with the FAO Regional Offices and Regional Groups, and approved by the Director-General. Seven FAO Member Countries have been nominated as Observers, representing the Conference Regions, specifically Argentina, Australia⁵, Canada⁶, France, South Africa, United States of America⁷ and Sudan. The first meeting of PSAG is scheduled to be held in January 2023.

C. Commitment to transparency and accountability

22. FAO's CONNECT Portal, launched in April 2021, continues to serve as the one-stop-shop for information on the Organization's private sector engagements. With information accessible in all FAO languages, it offers examples of successful joint work with the private sector as well as key opportunities for engagement with FAO to achieve impact on the ground. In 2022, the portal was visited by users from nearly 180 countries around the world. The portal also provides FAO personnel with access to a wealth of resources to support and guide them in engaging with the private sector, such as the practical guide on how to engage with the private sector, e-learning courses, training webinars, and other useful resources.

23. In 2022, CONNECT was upgraded to include new functionality that allows tracking of the engagement management cycle in a CRM system, allowing CONNECT to capture details of both formal and informal engagements and offering, for the first time, a complete picture of FAO's informal private sector engagements. By creating a single data repository and eliminating the need to rely on paper and email exchanges, it also provides a more accurate picture of the Organization's work with the private sector, and makes following the engagement cycle simpler, more efficient and transparent from beginning to end.

24. FAO continues to provide updates on its work with the private sector to the UN system, through the UN Department of Economic and Social Affairs (DESA)'s *Annual survey of UN entities on progress in implementing UN General Assembly resolution on the Quadrennial Comprehensive Policy Review (QCPR) of operational activities for development of the United Nations development system, as well as the General Assembly resolution on the repositioning of the UN development*

⁵ Representing both Asia and Southwest Pacific Regions, as agreed with the then Regional Chair of Asia Regional Group

⁶ Co-chair, North America Region

⁷ Co-chair, North America Region

system.

25. FAO Senior Management continues to fully support the implementation of the private sector strategy, providing oversight on a regular basis to scoping and screening partnerships, as well as leading or participating in numerous private sector events at all levels and in all locations. Significant involvement of FAO Senior Management in 2022 helped to model and raise the level of private sector engagement across the Organization.

IV. Sustaining impact and scaling up

D. Key factors for successful engagements

26. During the second year of the implementation of the Strategy, four elements stood out as factors for successful private sector engagements. These included: 1) empowering FAO personnel to engage with the private sector through continuous capacity building; 2) choosing the right modality for each engagement; 3) proactively identifying and approaching specific private sector entities as a key means to achieving FAO's aspirations, and; 4) improving reporting by introducing quantitative assessments based on key performance indicators.

27. FAO continues to remain 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 engage with associations, rather than their individual members. This contributes to having a broader representation and to reducing risk while increasing the potential for impact.

E. Key directions for the future

28. **Aiming for greater diversity to catalyse impact.** FAO will continue to foster a greater diversity of its private sector engagements, in terms of geographic area and type of entity. Improved monitoring of results will be possible in 2023-24 thanks to the enhanced CONNECT Portal, which allows for better data collection and more detailed analysis. To complement this, FAO has begun development of a new mapping tool to improve the way the Organization proactively forges purpose-driven partnerships. The tool will provide a clearer picture of the private sector landscape in various locations and according to thematic interests, allowing the Organization to identify and build relationships with those entities which will have the biggest impact.

29. **Leveraging targeted investments at scale.** FAO's engagement with the private sector focuses on leveraging investments to help Members achieve the SDGs, rather than direct fundraising for FAO-managed programmes or projects. The notable exception to this is engagement with philanthropic foundations that provide funding for humanitarian and development activities. FAO will continue working to optimize the roles and responsibilities of FAO units and teams, strengthen FAO external communications and target outreach materials and approaches to partnership building with the aim to maximize the return on this specific type of resource mobilization efforts.

30. Scaling up SDG-aligned investments by the private sector will continue to be a major priority for FAO in 2023, with the HII team continuing to monitor and support countries in facilitating investments in prioritized value chain areas. The successful first HII Investment Forum spurred several Members to consider organizing national level investment fora based on the HII model. To date, seven such fora are planned globally in 2023, as well as the second iteration of the HII Investment Forum in October 2023. In addition to investments in support of HII, FAO will also aim to increase SDG-aligned investments from interested private sector entities in support of the implementation of Green Climate Fund (GCF)- and Global Environment Facility (GEF)-financed projects.

31. **Increasing the uptake and use of FAO digital tools.** CRM functionality roll-out has helped FAO significantly improve how the Organization manages, tracks and reports on private sector engagements. In 2023, FAO will work on implementing additional functionalities, such as dashboards which provide generic information on private sector entities to a larger audience from

across FAO personnel and Members; continuing capacity development for users; collecting feedback to implement improvements and system enhancements; and allowing impact assessment readiness and match-making in accordance with FAO needs.

32. Capacity building of FAO personnel to engage with the private sector remains a priority in 2023. This will include training on the use of the CRM functionality of CONNECT Portal, as well as additional capacity-building webinars on specific aspects of the engagement process, and on the use of the mapping tool to allow employees to identify and target most promising private sector engagements. General webinars which allow colleagues to keep up to speed with any updates to the procedures and share best practices are also envisioned.