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منظمة مسمه الأغذية والزراعة للأمم المتحدة F

PROGRAMME COMMITTEE

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FAO Strategy for Private Sector Engagement 2021-2025 -**Implementation and Update**

Queries on the substantive content of this document may be addressed to:

Mr Maurizio Martina Deputy Director-General Tel: +39 06570 51913

Email: DDG-Martina@fao.org

Documents can be consulted at www.fao.org

EXECUTIVE SUMMARY

- This document highlights progress and key milestones in the implementation of the FAO Strategy for Private Sector Engagement 2021-2025 (hereafter: "the Strategy") in the period 2023-2024 and lays out key directions for the future of FAO's work with the private sector, building on the lessons learned.
- The document focuses on the repositioning of private sector engagement, including through acceleration of partnering with the private sector, creation of enabling environment to advance implementation of the Strategy and spearheading novel approaches to achieve greater impacts.
- During the period 2023-2024, FAO actively pursued the revitalization of policy dialogue platforms, such as the Informal Private Sector Advisory Group (PSAG) and the Private Sector Interdepartmental Working Group (PS-IDWG), as well as advancing a diverse range of formal and informal private sector engagements, enhanced communications and capacity development, and initiatives around digitalization.
- The results of the fourth year of implementation of the Strategy highlight increased efforts to boost strategic dialogue, both internally at FAO and externally with partners, more effective engagement, expediency of engagement processes, enhanced communication of results and the strategic prioritization of potential partners to achieve impactful results in support of FAO *four betters* and the United Nations Sustainable Development Goals (SDGs).

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 that will contribute to guiding private sector engagements in the future.

Draft Advice

The Committee:

- took note of the overview of diverse types of private sector engagements and stressed the importance of having a portfolio of strategic partnerships that are balanced in terms of geographical coverage, thematic area of engagement, type and size of entity, and that deliver concrete, beneficiary-oriented impacts;
- welcomed the progress made: i. Towards the operationalization and refinements in the digitalization of a due diligence system the Framework for Due Diligence and Risk Assessment/Management (FRAME); ii. In enhancing and automatizing the management of private sector engagements via the CONNECT Portal and Customer Relationship Management (CRM) system; and iii. In strengthening the strategic dialogue on private sector engagements through renewed focus on PSAG and PS-IDWG.
- welcomed the initiatives to streamline and expedite private sector engagements, such as through strategic prioritization of partners and areas of impact;
- encouraged the ongoing commitment to transparency and underscored the importance of publishing updated information on the CONNECT Portal.
- > noted with appreciation the continuing work to develop the capacity of FAO personnel to engage with the private sector, especially at decentralized level, through online webinars and other modalities of training.

I. Background and context

1. The FAO Strategy for Private Sector Engagement 2021-2025¹ (henceforth "the Strategy") was endorsed by Members at the 165th Session of the Council, held in December 2020. Since then, FAO has been increasingly committed to deepening the Organization's private sector engagement, recognizing its vital role in transforming agrifood systems, combatting hunger and malnutrition, and helping Members make progress towards achieving the Sustainable Development Goals (SDGs).

2. In January 2024, the function of private sector partnerships, previously part of the Resource Mobilization and Private Sector Partnerships Division (PSR), moved to the Partnerships and UN Collaboration Division (PSU). This new setting allows for all FAO partnerships with non-state stakeholders to be handled by the same division and leadership, guaranteeing a timely, consultative and consistent approach.

3. The onset of the FAO 2024-25 biennium and the internal relocation of FAO private sector activities present a prime opportunity to establish a unified path for substantial global impact in the short-, medium-, and long-term.

4. FAO aims to be more proactive, strategic and agile in its private sector engagements, presenting alternatives to conventional partnership models and modalities to embrace a wider and more dynamic range and set up of collaborations with a focus on boosting global and country-level impact.

5. In moving towards the last year of the current Strategy, action is being taken for its timely renewal, taking into consideration feedback from FAO Regional, Country Offices and technical divisions to make the processes smoother, more inclusive and with a greater degree of decentralization wherever possible.

II. Accelerating partnerships with the private sector: 2023-2024 highlights

6. In 2023-2024, FAO engaged with a wide spectrum of private sector entities, through various modalities ranging from informal discussions to fully-fledged formal agreements. This included jointly organized events, support to field programmes, capacity development, knowledge exchange, innovation and access to technology. In addition, FAO is actively exploring new and innovative collaboration models with the private sector, such as joint project implementation to contribute to country-level priorities and collaborations in the framework of the Green Climate Fund (GCF) and Global Environment Facility (GEF) projects, including to leverage blended financing and investments from the private sector.

7. From 1 January 2023 to 31 August 2024, FAO had concluded 35 active formal engagements with the private sector, established through legal instruments, namely Memoranda of Understanding (MOU), Letters of Intent (LoI) and implementation/cooperation agreements. Of these 35 formal agreements, 24 are MOUs, seven are LoIs, and four are implementation/cooperation agreements.

8. FAO's online **CONNECT Portal**² provides in-depth and updated information on all these private sector engagements to FAO Members and its personnel. Over the past two years, the portal has been further enhanced to include full Customer Relationship Management (CRM) functionality, which has been continuously enriched with new functionalities in the period 2023-2024.

9. **Geographic coverage.** Among the 35 formal engagements, most 20 have a global scope, with five focused on regional issues, one on a subregional scale, and nine targeting national concerns. Many of these initiatives benefit Least Developed Countries, including Burkina Faso, Central African Republic, Chad, Democratic Republic of the Congo, Ethiopia, Haiti, Liberia, Malawi, Mali, Niger, Somalia, South Sudan, Uganda, United Republic of Tanzania, Yemen, and Zambia. Additionally, these initiatives also support countries like Côte d'Ivoire, Namibia, and Zimbabwe. Landlocked

¹ FAO Strategy for Private Sector Engagement 2021-2025

² <u>https://www.fao.org/connect-private-sector/en/</u>

Developing Countries such as Bolivia (Plurinational State of), Kyrgyzstan, Mongolia, and Mali, as well as Small Island Developing States (SIDS) such as the Dominican Republic and Papua New Guinea, are also among the beneficiaries.

10. **Beneficiary groups.** In 2024, smallholder farmers remained the primary beneficiaries of FAO's formal private sector partnerships, accounting for 29 percent of the beneficiaries. Other key beneficiary groups include local food-producing and processing micro-, small-, and medium-sized enterprises (MSMEs) and cooperatives (16 percent), national and local institutions of member countries (15 percent), retail and agribusinesses (14 percent), youth (9 percent), and women (6 percent), as well as other categories of beneficiaries (11 percent, e.g. refugees and vulnerable communities affected by natural or human-induced disasters).

11. **Areas of focus.** Capacity development and knowledge as well as research dissemination remain among the predominant focus areas of current engagements with the private sector (accounting each for 16 percent of formal engagements), followed by technical cooperation (15 percent), advocacy and communication (12 percent) and policy dialogue (12 percent). Other important areas of focus include innovation, data sharing and dissemination, and SDG alignment, among others.

12. **SDG contributions.** In 2023-2024, approximately half of FAO's formal private sector partnerships supported multiple SDGs. Among the most supported SDGs are SDG 2 Zero Hunger, SDG 12 Responsible Consumption and Production, and SDG 1 No Poverty. FAO's private sector engagements contributed almost equally to the Organization's four betters, as well as to all Programme Priority Areas (PPAs), with a primary focus on BP1 Innovation for Sustainable Agriculture Production, BN1 Healthy Diets for All, BL2 Inclusive Rural Transformation, BE1 Climate Change Mitigating and Adapted Agrifood Systems, and BP4 Small-Scale Producers' Equitable Access to Resources.

13. **Informal engagements.** The CONNECT Portal's CRM functionality enables FAO to collect more complete data on informal engagements. As of the end of August 2024, 812 organizations were registered on CONNECT Portal as informal contacts. The largest number of informal collaborations were with MSMEs (36 percent), followed by Multinational Corporations and Companies (17 percent each), and Industry, Trade Associations and Consortia (17 percent). These engagements contribute to the achievement of various SDGs, with the biggest share contributing to SDG 2 *Zero Hunger* (25 percent), SDG 12 *Responsible Consumption and Production* (14 percent) and SDG 1 *No Poverty* (11 percent). They contribute to all of FAO's *four betters* and PPAs, covering diverse thematic areas relevant to FAO's mandate, such as capacity development rural development, access to finance and investments, food security, nutrition, and agrifood production.

14. **Partnerships for greater impacts.** FAO continues to prioritize impactful engagements with all types of private sector entities, to help achieve sustainable results at scale at the country, regional and global levels. During the period 2023-2024, particular emphasis was put on the engagement scope and activities in line with FAO's strategic priorities and the *four betters*.

15. As part of the "One country led initiative" and working with Liaison Offices (An Ecosystem and Private-Public Partnership Initiative)³, a Letter of Intent with Swiss Food & Nutrition Valley (SFNV)⁴ was signed in August 2024. This engagement aims to create mechanisms for identifying, developing, refining and scaling innovative solutions in the area of nutrition and healthy diets. The initiative emphasizes the need for FAO Liaison Offices and Country Offices to play a more proactive role in private sector engagement. Switzerland and the FAO Liaison Office in Geneva have been selected for this pilot.

16. FAO is developing several initiatives to drive sustainable agricultural development and SDG-compliant investments. An "Impact Investments for the *Four Betters*" aims to close financing gaps for small-scale farmers by promoting sustainable practices. The "Blended Finance Proposal for a

³ This initiative emphasizes the need for FAO Liaison offices and Country offices to play a more proactive role. Switzerland and FAOLOG have been selected for this pilot. The FAO Office of Innovation (OIN), along with the Food and Nutrition Division (ESN), has collaborated on the development of one of the formal agreements a Letter of Intent with the Swiss Food and Nutrition Valley—signed as part of this initiative.

Multi-UN Partnership with the Private Sector" focuses on transforming agrifood systems via partnerships with the private sector and UN agencies. An "AgriImpact Fund" which would seek to catalyze agricultural development through innovative financial tools. **The Enhanced Initiative with Private Sector Associations and Federations** will align industry practices with the SDGs, while **Enhanced Partnership with Philanthropic Foundations** aims to expand collaborations to combat hunger and poverty globally.

A. Boosting financial and impact investment

17. FAO proposes various blended finance schemes that aim to attract private investments into agrifood systems, aligned with the SDGs, by leveraging public funds, and fostering inclusive and efficient private sector investment in agrifood systems. Such initiatives comprise various public-private-partnership (PPP) proposals, co-financing and/or parallel financing with Financial Institutions within the GCF, aiming at reducing investment gaps and fostering transformative partnerships for development that are aligned with SDGs. FAO provides advice and guidance on applicable procedures and best practices on engaging with the private sector in the context of innovative investment proposals.

18. FAO can play a key role in piloting novel partnerships that could catalyze capital towards agriculture, rural development and protection of the environment, and potentially establish a framework that could be replicated with many impact investors, including Impact Investment Funds (IIFs) across geographies.

19. Constant effort is made to team up with financial institutions for greater impact and synergetic effect. Such efforts resulted in a recent proposal with the Mastercard Foundation, which envisages a USD 40 million financial contribution for the project aiming at transforming the livestock market system in Kenya. Additionally, three financial contribution agreements have been secured, totaling USD 720,000 with McKnight Foundation, Lloyd's Register Foundation, and the Bill & Melinda Gates Foundation, focusing on water sector policy and governance, as well as agroecology and sustainable agricultural systems.

20. Governments have a crucial role to play in promoting and enabling private sector investments in their own countries for impactful private sector engagement. FAO stands ready to support its Members in formulating and implementing effective action plans to foster sustainable private sector engagement opportunities such as the Hand-in-Hand (HiH) Initiative.

III. Creating an enabling environment for Strategy Implementation

B. Expediting and streamlining risk assessment and management

21. The Framework for Due Diligence and Risk Assessment/Management for Engagements with the Private Sector and other Non-state Actors (FRAME)⁵ continues to be the foundational guidance for independent due diligence screening and risk assessments. Due diligence screening and risk assessment conducted by FAO in 2023 and 2024 have seen significant improvements in the process and tools used to safeguard the Organization's neutrality and independence while supporting the evolution towards a risk-conscious approach to partnerships. These included a behavioural science review of the due diligence and risk assessment methodology and workflows, a first-stage implementation of the digitalization and automatization of the due diligence process through the CRM, and capacity-building in Regional Offices prior to decentralization of decision-making for low-risk engagements (now in effect). Ongoing enhancements to the Engagements and Partnerships Committee (EPC) dashboard by Project Support Division (PSS) will also pave the way for targeted dashboards and analytics on most common risk metrics, and mitigation and management actions for FAO's EPC members and Regional Representatives.

⁵ <u>PC 132/2 - FAO Strategy on Private Sector Engagement – Updates and Implementation Status paragraphs</u> from 12 to 37

22. The EPC, established in 2021 at core-leadership level to review engagements with private sector actors, has held 31 meetings and reviewed 184 proposals for engagements as of July 2024. Of these proposals, 40 were determined to be low risk, 84 medium risk, and 58 high risk, while two fell under FAO's Exclusionary Criteria⁶. The majority (90 percent) of the proposals reviewed by the EPC were either directly endorsed or endorsed with conditions to strengthen the risk mitigation measures proposed, denoting the need to continue improving risk mitigation and management capacities. Ten percent of proposals were returned to the formulator for clarification or were not endorsed by the EPC. The EPC has also continued to provide policy guidance on the Organization's approach on engagements with the private sector and other non-state stakeholders.

23. In addition, FAO is working to enhance the available legal tools for private sector engagement. The FAO Legal Office (LEG) has provided revised templates for MOUs with the private sector as well as for multilateral MOUs for signature by more than two parties. The new online submission system for MOUs, accompanies the development of these templates, with a view to complementing existing digital tools and systems, such as CONNECT Portal and CRM, aiming at facilitating and expediting the partnership submission and approval process.

C. Boosting capacities and strategic dialogue towards more effective engagement

Empowering FAO employees. Building the capacity of FAO employees to engage with the 24. private sector remains high on the agenda. During 2024, FAO embarked on a new, comprehensive Capacity Development Package plan, designed to bolster FAO's private sector engagement capabilities and enhance collective efforts towards sustainable development. This initiative will run from mid-September 2024 to June 2025 and aims to equip FAO personnel with the necessary skills and knowledge to effectively collaborate with private sector partners. The new Capacity Development Package encompasses a range of modules tailored to various aspects of private sector engagement. Key training sessions will include interactive learning sessions on the process for engaging with the private sector utilizing the CRM system; sessions on soft skills for effective partnerships focused on developing crucial interpersonal and communication skills for building and sustaining private sector relationships; and online webinars on partnerships in FAO Regional and Country Offices aimed at knowledge sharing on private sector partnerships tailored to local contexts. A significant objective of this package is to build both technical and interpersonal skills, fostering sustainable partnerships at regional and country levels. The training also includes peer-to-peer learning sessions, brown-bag lunches, private sector-led sessions, including relevant aspects of risk management, providing a holistic and engaging learning experience.

25. **Ensuring support to technical divisions and Decentralized Offices.** FAO continues to place strong emphasis on streamlining a corporate approach to developing engagements with the private sector. PSU is providing advice and strategic guidance to technical divisions and Decentralized Offices on applicable processes and best practices for impactful partnerships. Through 2024, joint initiatives have been developed across the Organization, including with Rural Transformation and Gender Equality Division (ESP), Office of Youth and Women (OYW), Office of Climate Change, Biodiversity and Environment (OCB), Office of Innovation (OIN), to ensure strategic contributions of private sector entities in support of FAO priorities on gender equality, youth, climate change and innovation. For instance, private sector mapping and profiling has been provided for the organization of multiple high-level events, including dialogue with the private sector under the agenda of the World Food Forum (WFF), the Global Compact, and the World Economic Forum.

26. **Strengthening internal conversation on private sector engagements.** FAO is revitalizing the Private Sector Inter-Departmental Working Group (PS-IDWG) with a renewed focus on strategic insights and new thematic discussion areas, with the goal of better supporting implementation of the Strategy, as well as to prepare for its review and evaluation. The PS-IDWG will be composed of members delegated by FAO units and will provide advice and feedback on issues pertaining to private sector engagements.

⁶ FAO's exclusionary criteria

27. Enhancing strategic dialogue with the private sector. The Informal Private Sector Advisory Group (PSAG)⁷ 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 FAO Regional Offices and Regional Groups and approved by the FAO Director-General. Eight Observers from the FAO membership, one from each region have been nominated, specifically from Argentina, Australia, Canada, China, France, South Africa, Sudan, and United States of America (Canada and United States of America as co-chairs of the North America Regional Group). In July 2024, with the agreement of the Director-General, the duration of the mandate of current PSAG members was extended for an additional two years. 2024 marked a renewed focus on PSAG as a core platform to gather valuable insights from the private sector from across the globe and diverse business activities. Two meetings of the PSAG have taken place so far this year. The first session, held on 31 May 2024, allowed valuable perspectives to be gathered from the private sector on FAO's global roadmap: achieving SDG 2 without breaching the 1.5°C threshold. The second meeting, held on 28 June 2024, spearheaded discussion on the private sector's role in bridging the gaps for investment in food and agriculture, as well as key future directions for collaborating with FAO. A third PSAG meeting took place on 26 September 2024, with a view to engaging PSAG members in a dialogue on the FAO Science and Innovation Strategy. A fourth meeting in October 2024 gathered views on the elements of the current and future pillars of the FAO Strategy for Private Sector Engagement 2021-25.

D. Commitment to transparent communication

28. Launched in April 2021, the CONNECT Portal remains the central hub for information on the Organization's private sector engagements. The CONNECT Portal is currently being expanded to include all engagements with non-state stakeholders. Available in Arabic, Chinese, English, French, Russian, and Spanish, the portal showcases successful engagements with the private sector and highlights key opportunities for partnerships to drive impact on the ground. Additionally, the portal serves as a repository of resources for FAO personnel, offering access to tools and guidance for the different steps of the engagement cycle. These resources include the Practical Guide on Private Sector Engagement, an e-learning course on the engagement process, recordings of training sessions and webinars involving all regional offices and the headquarters, as well as templates, forms and other valuable materials. In 2023-2024, the portal attracted visitors from over 100 countries worldwide.

29. The CONNECT Portal has integrated a Customer Relationship Management (CRM) system to monitor the full engagement management cycle, capturing both formal and informal collaborations between FAO and private sector entities. By consolidating all data into a single repository, the CONNECT Portal provides greater efficiency, accountability and transparency throughout the engagement process. Furthermore, the system provides advanced analytics, reporting features, and expanded data capabilities, offering a comprehensive overview of the Organization's history with each private sector partner, thereby fostering the development of more strategic and informed partnerships.

30. Throughout 2023-2024, the CRM system within the Portal was enhanced with new tools designed to provide users with strategic insights and facilitate a more seamless engagement process. These enhancements included automatically generated concept notes, strategic fit score calculations, improved tracking of progress reports, and the consolidation of key data into key performance indicator (KPI) reports. Access to the system was also broadened to include FAO personnel and Members, allowing authorized individuals within these groups to view aggregated dashboards that offer valuable insights into private sector engagements. To ensure users could fully leverage these new capabilities, comprehensive online training sessions were provided.

31. **Communication on achieved results.** In late 2024, FAO will release the first issue of a quarterly internal newsletter on FAO's Private Sector Partnerships. This inaugural issue will provide updates on core initiatives and key technical divisions, including highlights from private sector partnerships across the regions; the Regional Office for the Near East and North Africa (RNE), the

⁷ <u>https://www.fao.org/connect-private-sector/opportunities/en/</u>

Regional Office for Africa (RAF), the Regional Office for Europe and Central Asia (REU), the Regional Office for Asia and the Pacific (RAP), and the Regional Office for Latin America and the Caribbean (RLC).

IV. Renewed approaches for impactful partnerships

During 2023-2024, the following elements have been identified as factors for private sector success and impacts, namely:

32. **Flagship initiatives.** It is important for the implementation of the new model of engagement with the private sector to design and promote "Flagship Initiatives" that could provide key opportunities to achieve the SDGs. The flagship initiatives will be instrumental in proactively identifying and approaching specific private sector entities as a key means to achieving FAO's strategic goals, while enhancing internal coordination and utilizing expertise from across the Organization. **Enhanced role of the private sector team** as facilitator, to promote and enable the establishment of SDG-aligned transformative partnerships in support of the 2030 Agenda for Sustainable Development, the *four betters* and country and regional level priorities.

33. **Efficiency and efficacy** spearheaded across the Organization, using process expediency development and digital tools in partnerships and capacity development.

V. Key directions for the future

34. Going forward, FAO's engagement with the private sector will continue to build upon the insights acquired since the inception of the FAO Strategy for Private Sector Engagement 2021-2025. The integration of the Private Sector partnership into PSU enhanced FAO's ability to streamline knowledge, resources and comparative advantages in building effective partnerships across different types of non-state stakeholders. This centralization of partnership activities can help ensure delivery of more substantial impacts, through collaborations that foster resilient, inclusive, sustainable and efficient agrifood systems, leaving no one behind. Four key areas will help guide the Organization's future engagements with the private sector:

(a) Evidence-based portfolio design, (b) a coordinated approach to complex challenges underpinned by efficient and fully digitalized processes including for the due diligence and risk assessment (DDRA) of other non-state stakeholders in collaboration with PSS, (c) advanced tools for capacity development, and (d) outreach and visibility for sustainable private sector partnerships.

35. **Evidence-based portfolio design.** With a set of strategic tools now fully in place, including the CONNECT Portal's CRM system and Mapping Tool, FAO is better placed to assess gaps in its current private sector portfolio and pursue a diverse range of engagements with private sector entities, helping ensure balanced support for FAO's regional and country-level priorities and *four betters*. Improved data collection, monitoring, and quality control measures offered by this new toolkit coupled with improved analytics from DDRA will allow for a more detailed assessment of each engagement, and a more comprehensive evaluation of the engagements' outcomes and impacts on beneficiaries and risk management aspects.

36. **A coordinated approach to complex challenges.** Scaling up investments for the transformation of the agrifood systems and achieving the SDGs will continue to be a major priority for FAO, with the HiH Initiative team supporting countries in facilitating investments and inviting the direct engagement of the private sector with governments for key investment cases. However, deeper engagement with the financial sector for SDG-oriented investments will also be an important area of work: engagements with financial institutions, including banks, investment firms, development finance institutions, and others have the possibility to open up new avenues for expanding reach, exploring new markets, and tapping into global opportunities, which will be critical for addressing complex challenges that require coordinated efforts on an international scale.

37. **Public-Private Partnerships.** Particularly in the context of public-private partnerships and impact financing, collaboration with financial institutions can bridge the gap between public and private sectors. This synergy allows for the pooling of resources, sharing of risks, and leveraging each

sector's strengths to achieve common objectives. Governments, non-profits, and private enterprises can work in tandem with financial institutions to create innovative solutions that combine financial sustainability with positive social and environmental impacts.

38. **Advanced tools for private sector capacity development**. The suite of digital tools for capacity development for FAO personnel, including the Practical Guide on how to engage with the private sector and an e-learning course on private sector engagement, will continue to play a key role in the coming year, with continuous refinement and updates made to ensure these tools are aligned with evolving partnership procedures and needs.

39. **Outreach and visibility for sustainable private sector partnerships.** Effective outreach and visibility play pivotal roles in FAO's collaboration with the private sector, and in 2024 and beyond, the Organization aims to expand its outreach to diverse private sector actors, presenting FAO's mission, expertise and objectives in a way that resonates with a diverse array of private sector stakeholders. Building awareness, understanding and trust among potential partners is vital for fostering productive and sustainable partnerships that contribute to the development of resilient and inclusive agrifood systems. Clear and consistent communication through various channels, such as conferences, publications and digital platforms, will help to improve visibility, build FAO's brand, and underscore the Organization's comparative advantage, helping to create a positive perception among private sector entities and build sustainable partnerships based on shared goals and values.