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PROGRAMME COMMITTEE

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Update on the new Strategy for Private Sector Engagement

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EXECUTIVE SUMMARY

- This document provides an update on the implementation of the new Strategy for Private Sector Engagement since its approval by the 165th Session of the Council in December 2020.
- This report focuses on the immediate actions taken since the adoption of the Strategy, highlighting both immediate achievements and forecasted actions to be taken as a part of the implementation of the Strategy that addresses the key recommendations made by FAO Members.
- FAO has also undertaken an analysis of the current private sector engagement portfolio and the result of the analysis is hereby presented. It shows that FAO needs to have a more selected portfolio of active, strategic and transformative partnerships, which are balanced in terms of geographical coverage, types of private sector entities and thematic areas of engagement.
- Since the Strategy endorsement at the last Council, FAO has accelerated its efforts to create an enabling environment for the implementation of the Strategy: the development of the CONNECT portal, the update of the due diligence mechanisms and rules and personnel training and capacity development will be the major initiatives throughout 2021.

GUIDANCE SOUGHT FROM THE PROGRAMME COMMITTEE

- The Programme Committee is invited to take note of the Update on the new Strategy for Private Sector Engagement.

Draft Advice

The Committee:

- **took note of the progress of the new Strategy implementation since its endorsement during the 165th Session of the Council in December 2020, and looked forward to receiving an updated version of the Strategy document at its next Session.**

I. Context

1. At the 165th Session of the Council in December 2020, FAO Members approved FAO's new *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 towards achieving the Sustainable Development Goals (SDGs) and a significant step forward in that direction.

2. The 165th Session of the Council¹ approved a series of important and insightful recommendations of the Joint Meeting of the 129th Session of the Programme Committee and the 183rd Session of the Finance Committee². Furthermore, the Council approved the Strategy with the understanding that the content of Information Note 2³ be incorporated into the Strategy, and requested FAO to launch it as soon as possible.

3. Following the Council, Management adjusted the Strategy based on the Information Note 2 and, based on the Council decision, presented it in six official languages to its Members through the FAO Members Gateway⁴.

4. This report focuses on the immediate actions taken since the Strategy adoption by the 165th Session of the Council, highlighting both immediate achievements and forecasted actions to be taken as a part of the implementation of the Strategy that addresses the key recommendations made by FAO Members. It emphasizes preliminary actions taken as FAO methodically advances the implementation of the Strategy.

II. Gap analysis in the current private sector engagement portfolio

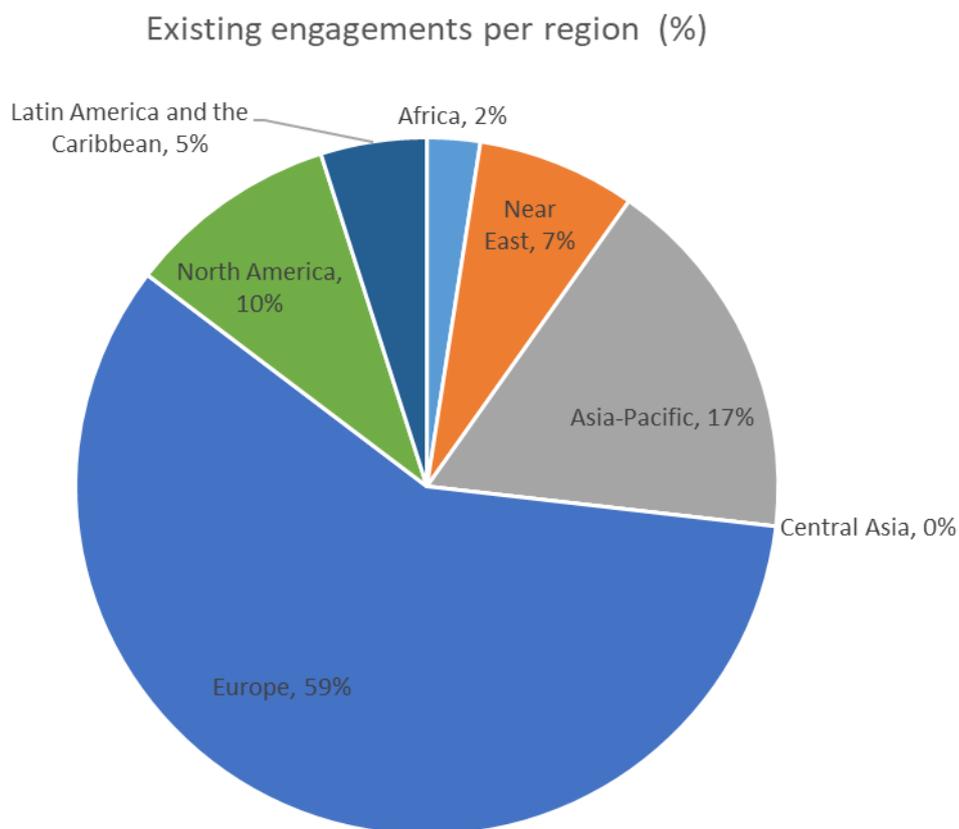
5. FAO has undertaken an analysis of the current private sector engagement portfolio. Currently, FAO engages with 41 private sector entities with which a Memorandum of Understanding (MoU), Exchange of Letters (EoL), or a Letter of Intent (LoI) have been signed. They represent, respectively, 78, 17 and 5 percent of the private sector engagement portfolio.

¹ CL 165/REP

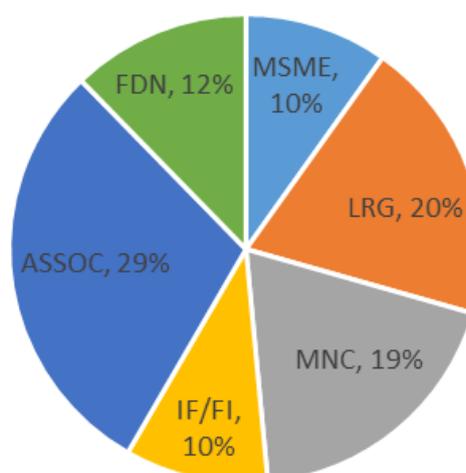
² CL 165/9

³ CL 165/4 Inf. Note2

⁴ Post-CL 165/4 Rev.2

Chart 1**Chart 2**

Engagements per type of entity (%)



Associations (ASSOC); foundations (FDN); micro-, small- and medium-sized enterprises (MSMEs); large companies (LRG); multinational companies (MNC); and financial institutions (IF/FI).

6. There is an unbalanced representation of private sector entities in these current engagements across regions (Chart 1). European-based private sector entities account for a sizeable majority of engagements (59 percent), while Africa, Asia-Pacific, Central Asia, Latin America and the Caribbean and North America- based private sector entities jointly represent the remaining 41 percent. Private sector associations, multinationals and large companies account for a large majority of all private sector engagements, while MSMEs currently represent only one tenth of the private sector engagement portfolio (Chart 2).

7. All engagements with private sector entities **contribute to at least one SDG** (Chart 3). The majority primarily contributes to SDG 2 - zero hunger, while a significant portion to SDG 12 - responsible consumption and production. Fewer engagements contribute to rural poverty reduction (SDG 1; 7 percent), ensuring clean water and sanitation (SDG 6; 7 percent) as primary SDGs.

8. **Sectors of engagement are quite varied** (Chart 4). Engagement on value chain development and food loss and waste sectors are the most represented, with similar shares relating to capacity development and advisory services, as well as nutrition and agricultural technology, digitalization and innovation in all its forms, as well as finance. Regarding new areas of engagements, 10 percent are in technology and innovation, 10 percent in finance, five percent in data and two percent are connected to the Hand-in-Hand Initiative (HIH Initiative).

Chart 3

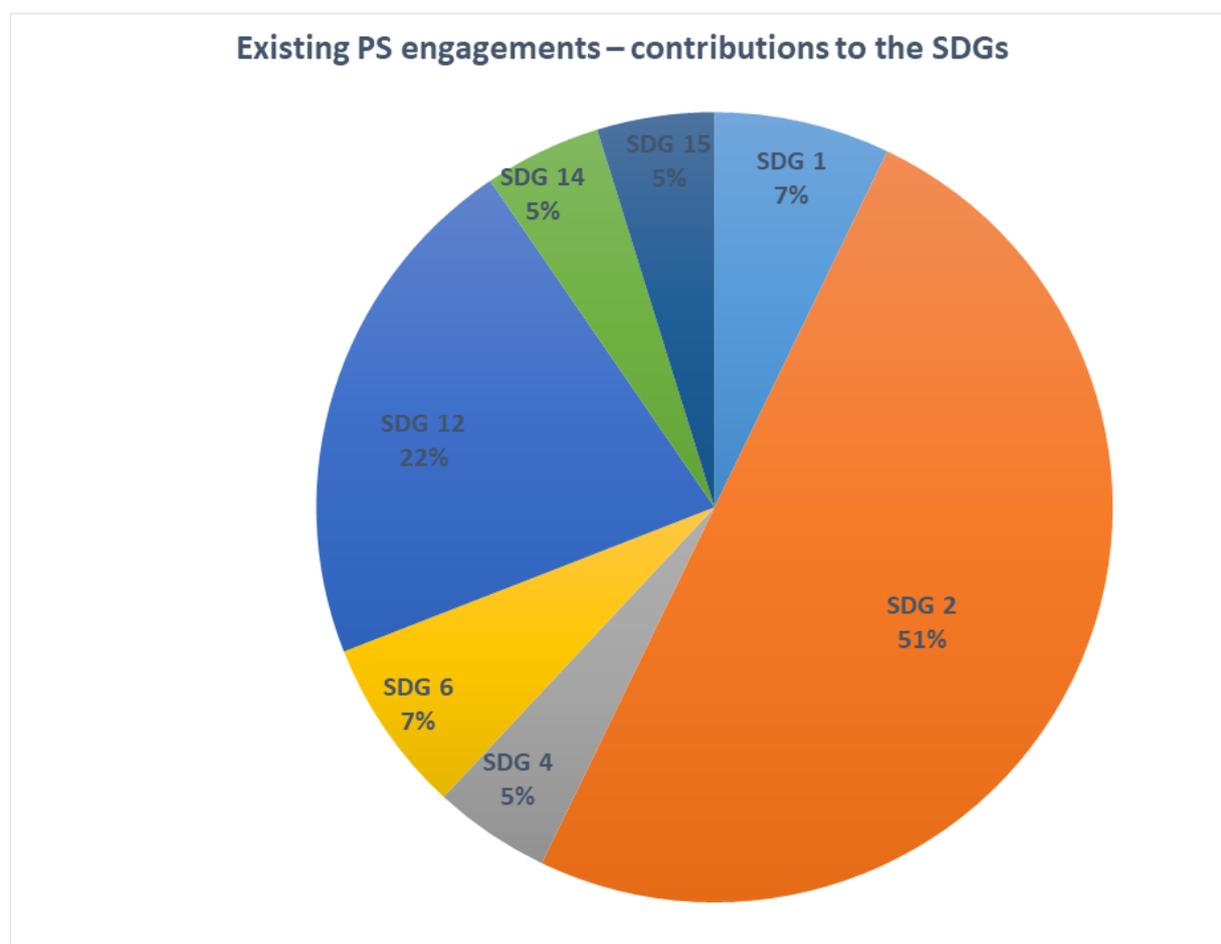
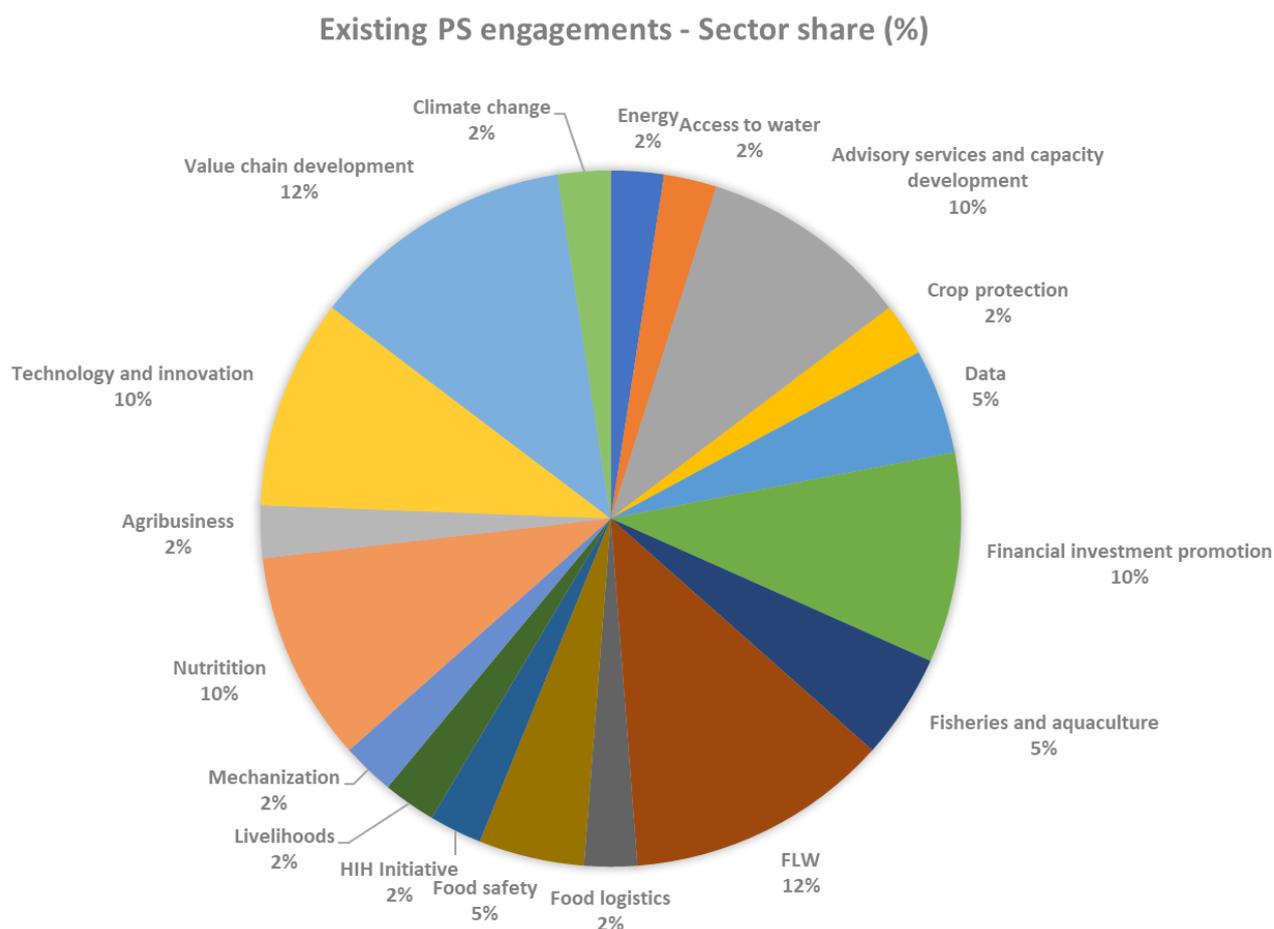


Chart 4



9. It is evident from the analysis that **FAO needs to have a selected portfolio of active, strategic and transformative partnerships, which are balanced in terms of geographical coverage, types of private sector entities and thematic areas of engagement.** Enhanced focus on engagements with the private sector in Small Island Developing States (SIDS) and HIH Initiative countries is also necessary, as well as the need that partnerships clearly contribute to priority areas of FAO's mandate and strategic framework in line with the SDGs, in particular SDG 1, 2 and 10. This is all aligned with the spirit of the Strategy, as well as with the request from the membership during the Council. Progress should be measured via the key performance indicators (KPIs) established for this purpose.

III. Progress in the implementation of the new Strategy

A. System and process

10. **CONNECT portal:** the CONNECT portal aims at providing a one-stop shop and 'client' management system (CRM) for FAO-Private Sector engagement. The design phase is well underway. Phase 1 comprises of a public web-interface, including information on the rationale for FAO-private sector partnerships, results delivered, success stories, and means to engage alongside a searchable database of high-level information on FAO's private sector partners. A world map will also highlight where partnerships are currently active. The Phase 1 version of the portal will be showcased to FAO Members and personnel, as well as prospective private sector partners as a prototype, in the first quarter of 2021 to gather user feedback.

11. A second layer will be accessible to FAO Members and personnel (password protected) to access the database of partnership agreements and other legal agreements in force, as requested by FAO Members.
12. After collecting feedback from the launch of the prototype version, refinements will be made and Phase 2 will be launched to build a full CRM system behind the platform, to ensure regular updates and full transparency to Members. Phase 2 will also involve in-depth dialogue with the private sector to gain their views on how to make the CONNECT portal attractive to encourage a broad array of more strategic and diverse partnerships. FAO personnel training on how to access and use the portal will also be delivered. The CONNECT platform's use and effectiveness will be closely monitored, in line with the KPIs.
13. The process of undergoing a **cost-benefit analysis (CBA)** requested by Members has started, as the relevant Terms of Reference are being set. This fully-fledged CBA is planned to start in the second quarter of 2021. Once the analysis is completed, the results will be reported in the annual progress report of the Strategy.

B. Institutional set-up, capacity development and training

14. **Informal Private Sector Advisory Group (PSAG):** FAO will initiate the informal PSAG as a forum to enhance FAO's collaboration and engagements across the private sector. As strongly recommended by Members, FAO will pay particular attention to ensure a balanced, broad and geographically diverse range of private sector actors, with significant emphasis on MSMEs. FAO will seek to ensure that the group's composition reflects the following aspects: diversity (geographical, categorical and enterprise structure/size), relevance, impact, innovation, availability and commitment to the mandate of FAO, and balance between partners already known to FAO and potential new partners.
15. Guided by this principle, FAO is further elaborating the Terms of Reference of the PSAG, reflecting the recommendations made by Members. Selection of the private sector representatives will be done in consultation with FAO's decentralized offices, as well as technical units and streams at headquarters.
16. FAO is requesting Chairpersons of the Regional Groups to nominate one Member as Observer from each region to participate in the PSAG.
17. **Internal capacity development:** to strengthen engagement with the private sector, personnel capacity development, particularly in the regional and country offices, is crucial to ensure that partnerships are nurtured and support the work of FAO. Alongside the launch of the Strategy, FAO is organizing briefings to FAO personnel to raise awareness and reach common understanding of the newly approved Strategy.
18. More comprehensive training is under development to allow FAO relevant personnel to have a better understanding of private sector contributions to the SDGs and how to consider more strategic engagements. Rollout of the virtual capacity development programme targeting decentralized offices and technical units at headquarters is expected to take place gradually toward the second half of 2021, together with the Project Support Division (PSS) on updated due diligence and risk assessment procedures.
19. Furthermore, FAO is setting up a Private Sector Interdepartmental Working Group (PS IDWG) as a mechanism for peer-to-peer learning on private sector engagement across the units and streams, as well as decentralized offices.

C. Operational policies and guidelines

20. **Personnel Guide:** a critically important element of the Strategy is a clear and concise internal guideline for FAO personnel, providing practical guidance on the operational aspects of managing partnerships, including facilitation, risk assessment and management, and due diligence, as well as reporting procedures. FAO is revamping and updating the existing internal guidelines in conjunction

with the development of the CONNECT portal and the update on the due diligence and risk assessment procedures in a participatory manner, gathering feedbacks from users, in particular from the decentralized offices. This should be completed by the end of 2021.

21. **Due diligence and risk assessment:** the Project Support Division has formally assumed the due diligence responsibility for private sector engagement. The work required to put in place an updated internal due diligence and risk management aligned to the new Strategy to avoid potential conflicts of interests started in January 2021. The timeline foresees internal consultations and review planned from mid-February until March 2021. The guiding principles and high-level process of the new due diligence mechanism would be presented at an informal meeting for early feedback from all Members. The final due diligence mechanisms and rules will be presented as an Annex to the updated Strategy at the next session of the Programme Committee.

D. Communication and outreach

22. FAO is taking a more proactive approach to seeking, cultivating and scaling up new private sector engagements, which requires strategic outreach to the prospective private sector entities based on FAO's priorities identified under the new Strategic Framework. As a first step, the FAO Private Sector webpage has been revamped to reflect the Strategy and its objectives. The website offers a printable version of the new Strategy⁵, lists private sector entities with which FAO currently has formal engagement and provides several case studies.

23. Outreach by Senior Management will be intensified in the form of media activity, as well as active promotion of formalized agreements concluded in line with the direction of the Strategy. Furthermore, an outreach action plan is being designed to promote the Strategy and related tools with private sector entities.

IV. Next steps

24. Since the endorsement of the Strategy by the 165th Council, its implementation is well underway, and FAO has accelerated its efforts to create an enabling environment for FAO personnel to embrace new ways of engaging with the private sector. The continued development of the CONNECT portal will be of highest priority throughout 2021.

25. As the new Strategic Framework (2022-31) is simultaneously presented at the 130th Session of the Programme Committee and the 185th Session of the Finance Committee, FAO will ensure full alignment of the Strategy to the final version.

26. Management will present the adjusted Strategy with two Annexes – updated due diligence and framework for risk assessment and management, and the Terms of Reference of the informal PSAG - at the 131st Session of the Programme Committee.

27. Continuing to adhere to the principle of transparency, Management plans to engage Members periodically for a series of informal briefings on the key milestones of the Strategy, such as the launch of the CONNECT portal. In addition to such informal dialogues, a comprehensive annual report of the progress and achievement of the Strategy implementation (including the outcome of the Cost-Benefit Analysis) will be presented at the 132nd Session of the Programme Committee in 2022.

⁵ <http://www.fao.org/partnerships/private-sector/en/>