



*Empowered lives.
Resilient nations.*

POLICY ON DUE DILIGENCE AND PARTNERSHIPS WITH THE PRIVATE SECTOR (2013)

Contents

1. Introduction	1
2. Purpose of Policy	1
3. Policy on Due Diligence	1
3.1 Exclusionary Criteria	3
3.2 High-Risk Sectors	5
4. Procedure for Undertaking Due Diligence	6
4.1 When to Undertake Due Diligence?.....	6
4.2 Due Diligence Assessment Criteria	7
4.3 Who Performs the Due Diligence?.....	9
4.4 Making a Decision	9
4.5 Monitoring the Partnership, Managing Risk and Reporting	10
Annex 1: Guiding Principles and Types of Partnerships with the Private Sector	12
1. Partnership Definition	12
2. Guiding Principles for Partnerships	12
3. Types of Engagement.....	13
Annex 2: Types of engagement with the private sector	15

KEY TERMS & ACRONYMS

AFIM	African Facility for Inclusive Markets
BPPS	Bureau for Policy and Programme Support
BERA	Bureau of External Relations and Advocacy
Business	Any individual for-profit enterprise of any size
CITES	The Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO	UNDP Country Office
Core business	Core business refers to those company assets and competencies that create a financial return for the business and its owners. Core business is the term used to describe an organization's main or essential activity.
ESG	Environmental, Social and Governance
Global Compact	The United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption.
Goods	Tangible products produced and supplied by a business (e.g. food, medicines, vehicles, etc.).
In-kind contributions	Contributions of goods made by a business to UNDP at no cost to UNDP.
Inclusive markets	Markets in which the poor and disadvantaged are empowered and enabled to benefit from full participation as consumers, producers, wage-earners
KIC	Knowledge and Innovation Communities
MDGs	Millennium Development Goals
MoU	Memorandum of Understanding
OPG	Organizational Performance Group
Partner risk	Partner risk is determined by the impact on human development and well-being which arises from the nature of the industry sector and business performance. It has social, environmental and governance aspects.
Partnership risk	Partnership risk is shaped by the nature of the collaboration with UNDP, by the private and public benefits of the collaboration, and also by the role that UNDP takes in brokering, co-creating and/or implementing activities that arise from the collaboration.
POPP	Programme and Operations Policies and Procedures
Pro-bono contributions	Contribution of services made by a business to UNDP at no cost to UNDP
PSD	Private Sector Development - Policy, institutional and capacity-building activities promoting the growth of local small and medium enterprises, and also including support for the provision of micro-finance
PSE	Private Sector Engagement - Activities undertaken in collaboration with companies to develop solutions, mobilize resources, and advocate for change in order to support poverty reduction and the achievement of the MDGs
RB	UNDP Regional Bureau
Risk tolerance	This is UNDP's tolerance for risk in its engagement with the private sector. A high tolerance implies that UNDP is prepared to take a greater-than-normal risk in order to reap the potential benefits of the collaboration. A low risk tolerance implies that UNDP is not prepared to take many such risks
Services	Intangible products supplied by a business (e.g. consultancy, training, professional advice, information)
SDP	Supplier development program
SMEs	Small and medium-sized enterprises
Supply chain	Economic transactions that happen between the primary producer and the procurement of a product by a business

1. Introduction

UNDP's **Strategic Plan 2014-2017** understands the importance of substantially expanding and improving the scope, quality and outcome of our collaboration with the private sector, as an important factor in achieving UNDP's overall vision "*to help countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion*".

This Policy on Due Diligence and Partnerships with the Private Sector, complemented by its **Risk Assessment Tool** and the **Risk Assessment Tool Guidelines** (2013), aims to strengthen the risk management capacity of UNDP to work with the private sector.¹

UNDP has worked with the private sector for several decades. In recent years, there has been a significantly increased recognition of the role of the private sector in advancing sustainable development. There is therefore a need for UNDP to further scale up its work in a more systematic and collaborative way with the private sector.

To this end, collaboration with the private sector will be important for several of the **Strategic Plan 2014-2017** outcomes, including the ones relating to sustainable and inclusive economic growth based on productive capacities that create jobs for the poor, promoting women's empowerment, reducing likelihood of conflict, lower risks from natural disasters and recovery in post-conflict and post-disaster situations.

2. Purpose of Policy

The growing role of the private sector in the changing development landscape brings both new opportunities and risks. As UNDP aims to scale up its engagement with the private sector it needs to do so in a way that manages risks to its reputation.

The purpose of this Policy is to facilitate and guide the selection of private sector partners and the formulation of partnerships in such a way that enables effective and creative collaboration, while maintaining a principled approach that manages risks and ensures the integrity and independence of UNDP.

The Policy sets out UNDP's criteria for assessing and selecting partners and principles to guide the establishment of partnerships.

The Policy also brings UNDP to parity with other UN agencies in how they manage the risks of working with the private sector.

3. Policy on Due Diligence

UNDP will seek to partner with private sector firms that are committed to core UN values and UN causes, and that are not involved in commercial or other activities that are incompatible with UNDP's values, mission and brand.

This Policy defines the private sector as:

- a) For-profit and commercial enterprises of any size

¹ The Policy builds on and complements the Secretary-General's [Guidelines on Cooperation between the United Nations and the Private Sector](#) and it is linked to the private sector **Programme and Operations Policies and Procedures (POPP)**. When UNDP staff is considering entering into a partnership with the private sector, this Policy should be read in conjunction with the [private sector POPP](#), the **Risk Assessment Tool** and the **Risk Assessment Tool Guidelines** (2013).

- b) Corporate foundations²
- c) Business associations, coalitions and alliances (including e.g. chambers of commerce, employers' associations, cooperatives, industry and cross-industry initiatives where the participants are for-profit enterprises). These organizations will be assessed on their own merits, rather than on the merits of its members³.
- d) State owned enterprises.

Sporadic, non-commercial-income-generating activities on the part of individuals are not considered part of the private sector.

UNDP works with the private sector in two main ways:

- 1) Supporting and facilitating private sector development (PSD); and
- 2) Engaging in collaboration with the private sector (private sector engagement, PSE).

The current Policy and partner selection criteria are applicable both when UNDP selects partners to engage with to advance development as well as when it determines which private sector organizations and industry sectors it supports in its work to promote private sector development and deliver other forms of capacity building activities for the private sector.⁴

UNDP also procures goods and services from the private sector. While this relationship is separate from the private sector engagement activities addressed in this Policy, it should be ensured that if a private sector entity is deemed not to be fit for a partnership with UNDP, this should be taken into consideration also in any procurement processes where the entity is considered. The same should apply when we have a long-term procurement relationship, in which case we should use that knowledge to accelerate our due diligence processes. At the same time, care should be taken to ensure that a partnership with UNDP does not give a private sector entity preferential treatment in UNDP procurement processes.

In assessing the risks to work with any potential private sector partner this policy defines three levels of risk:

- 1- **Highest risk:** engagement with sectors of the economy or business practices that are incompatible with UNDP's vision, mission and values or companies that are in violation of UN resolutions or included on UN ineligibility lists. This is covered below under the exclusionary criteria. In these cases this policy applies to both the private sector engagement, as well as to the programmatic work of UNDP in these sectors, unless it is to allow vulnerable communities to move away from these sectors.
- 2- **Significant risk:** these are private sector entities that are defined, by the initiating unit, during the risk analysis as having significant controversies⁵. In these cases the decision making to go forward needs to be escalated to HQ.
- 3- **Lower Risk:** All other cases not covered under the exclusionary criteria and significant controversies. In such cases the decisions can be made at the CO/ Regional Bureau level. A

²Corporate foundations are independent grant-making organizations that have close ties to the corporation providing funds. Some companies have corporate direct giving programmes instead of foundations; some have both. Examples of such foundations are the Coca-Cola Foundation and the Nike Foundation.

³ For example, UNDP will not exclude working with a chamber of commerce because it may have a company from an excluded sector among its members. However, if the chamber or association itself is involved in promotion of an excluded sector, then UNDP will not engage with them.

⁴ Initiatives and activities with private sector entities falling under the auspices of the Montreal Protocol; and the Stockholm and Minamata Conventions on Ozone depleting substances, POPs and Mercury respectively, will not be covered under this policy but under their specific guidelines.

⁵ Significant controversies can relate to labor issues, communities, environment, governance, products or ownership and management. There can be reoccurring and significant criticism from local or global NGOs, media, government or other UNDP partners, local and global demonstrations and relevant court cases against the company.

full due diligence assessment still needs to take place and its result sent to an HQ managed database.

3.1 Exclusionary Criteria

Table 1 below lists UNDP’s exclusionary criteria and provides guidance on whether or not to engage in cases where subsidiaries, parent companies and distributors or suppliers are engaged in activities that fall under exclusionary criteria. The table below is the result of consultations with other UN agencies and it represents the best amalgamation of existing standards in these agencies, with a special emphasis on the UNICEF approach.

TABLE 1: Exclusionary Criteria

UNDP’s Exclusionary criteria / Type of involvement⁶	Direct involvement of the potential partner in exclusionary criteria	Indirect involvement of the potential partner through a subsidiary in exclusionary criteria	Indirect involvement of a potential partner through the parent company in exclusionary criteria	Indirect involvement through potential partner distribution / supply chain⁷ in exclusionary criteria
Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons	No engagement	No engagement	No engagement	No engagement
Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment	No engagement if >5% of annual revenues of the company is derived from armaments	No engagement if potential partner owns >20% of subsidiary and sales revenues of subsidiary are >5% of total annual revenues	No engagement if parent company owns >20% of potential partner and its sales revenues are >5% of total annual revenues	No engagement if sales revenues from armaments are > 5% of total revenues
Replica weapons marketed to children	No engagement if >10% of annual revenues are derived from toy / replica weapons.	No engagement if potential partner owns >20% of subsidiary and sales revenues of subsidiary are >10% of total annual revenues	No engagement if parent company owns >20% of potential partner and its sales revenues are >10% of total annual revenues	No engagement if >10% of annual revenues are derived from toy / replica weapons.

⁶ The overall approach of assessing involvement of subsidiaries, parent companies and distributors as well as the tolerance levels are informed primarily by UNICEF’s approach. See “[UNICEF Guidelines and Manual for Working with the Business Community](#)”

⁷ The potential partner company has no ownership of the distributor or supplier.

Manufacture, sale or distribution of tobacco or tobacco products	No engagement with manufacturers No engagement with retail companies if sales revenues from tobacco products are >5% of total revenues	No engagement	No engagement	N/A
Violations of UN sanctions and the relevant conventions, treaties, and resolutions, and inclusion in UN ineligibility lists or UNDP vendor sanctions list	No engagement	No engagement	No engagement	No engagement if sales revenues from products produced by companies that fall under this criteria are >10% of total revenues
Involvement in the manufacture, sale and distribution of pornography	No engagement	No engagement if potential partner owns >20% of subsidiary	No engagement if parent company owns >20% of potential partner	No engagement if sales revenues from pornography are >10% of total annual revenues
Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES ⁸	No engagement ⁸	No engagement if potential partner owns >20% of subsidiary	No engagement if parent company owns >20% of potential partner	No engagement ⁸
Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)	No engagement if >20% of annual revenues derived from gambling	No engagement if ownership level is >20%	No engagement if parent company owns >20% of potential partner	N/A
Violation of human rights or complicity in human rights violations	No engagement ⁹	No engagement if potential partner owns >20% of subsidiary	No engagement if parent company owns >20% of potential partner	Special caution should be exercised and decision escalated to HQ if systematic

⁸ CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. <http://www.cites.org>

⁹ In some special cases, UNDP may consider a partnership specifically intended to improve the partner's practices or to address an identified issue. According to UNDP's Private Sector Strategy (2012) the private sector sometimes contributes to a negative impact on development, including on the environment, social conditions, labor rights, corruption and conflict. The strategy indicates that UNDP should work with and influence private sector actors to improve their performance and reverse such negative impacts. Restrictions and criteria are applied when considering engaging with companies that meet these exclusionary criteria. For more information, please refer to Section 2.2, Assess Risk Related to the Potential Partner (Step 2), of the Risk Assessment Tool Guidelines.

				human rights violations are evident in the supply chain / distribution chain of the potential partner
Use or toleration of forced or compulsory labor	No engagement ¹⁰	No engagement if potential partner owns >20% of subsidiary	No engagement if parent company owns >20% of potential partner	Special caution should be exercised and decision escalated to HQ if systematic use or toleration of forced or compulsory labor are evident in the supply chain / distribution chain of the potential partner
Use or toleration of child labor	No engagement ¹¹	No engagement if potential partner owns >20% of subsidiary	No engagement if parent company owns >20% of potential partner	Special caution should be exercised and decision escalated to HQ if systematic use or toleration of child labor is evident in the supply chain / distribution chain of the potential partner

3.2 High Risk Sectors

In addition to the industry sectors listed under the exclusionary criteria above, a number of “high-risk” sectors have also been defined, because the occurrences of significant controversies is considered as particularly high and / or where adherence to main corporate sustainability principles are regarded as more challenging or have historically been weaker. For the “high-risk” sectors an extra careful approach is required by following the full risk assessment tool to establish the existence of significant controversies.

Only if the initiating unit identifies significant controversies, will a decision need to be made at HQ. In all other cases, the RC/RR can take the decision locally. It is recommended that the RBx are consulted in this process (see also section 4 below on decision making process).

¹⁰ ibid

¹¹ ibid

TABLE 2: High-risk sectors

<p>Oil and gas Extraction of oil and gas (including oil sands); manufacture of refined petroleum products; transport via pipeline.</p>
<p>Metals and mining Mining (incl. coal, diamonds and other precious and semiprecious stones, metals, uranium, etc.), manufacture of basic iron, steel, non-ferrous metals, precious metals; casting of metals; treatment and coating of metals; quarrying.</p>
<p>Utilities Electric power generation from large dams, nuclear power plants, fossil-fuel power plants (e.g. gas and coal-fired); electric power transmission and distribution; water collection, treatment and supply; sewerage; waste treatment and disposal; materials recovery (recycling).</p>
<p>Large infrastructure Construction of buildings, roads, railways, civil engineering projects; construction or upgrading of large dams, nuclear power plants or pipelines.</p>
<p>Agriculture and fishing Growing of crops, including palm oil or other large monocultures (e.g. energy crops for biofuels); livestock farming, fishing; aquaculture.</p>
<p>Timber, pulp and paper Timber production; logging; sawmilling and planing of wood; production of pulp and paper.</p>
<p>Alcohol Manufacturers of alcoholic beverages, wholesale distributors and importers that deal solely and exclusively in alcohol beverages or whose primary income comes from trade in alcohol beverages. In addition, "alcohol industry" includes associations or other entities representing or funded largely by any of the above, as well as alcohol industry lobbyists.</p>
<p>Chemicals Manufacture of basic chemicals, pharmaceuticals, petrochemicals, agrochemicals, pesticides, fertilizers, plastics, paints, varnishes, coatings, detergents and toiletries.</p>
<p>Clothing, toys and consumer electronics (risks are due mostly to issues in the supply chain).</p>
<p>Fast food, high sugar drinks and soda</p>

4. Procedure for Undertaking Due Diligence

4.1 When to Undertake Due Diligence?

UNDP is committed to be pro-active in establishing partnerships around development priorities where private sector entities can contribute to our work. Being pro-active means identifying and outlining possible opportunities for working with the private sector based on this to seek out the best suited private sector partners.

For such pro-active outreach “pre-screening” should be done before reaching out to the potential partner. This pre-screening includes at a minimum ensuring that the partner does not fall under the exclusionary criteria and to also assess whether the company is involved in a high-risk sector and if it is involved in any significant controversies. If a potential partner falls under the exclusionary criteria the case should be dropped.

If the potential partner passes the pre-screening, the full due diligence should then be undertaken once the potential partner has expressed an interest in engaging with UNDP.

At the same time, many of UNDP’s partnerships are initiated by private sector partners approaching UNDP. This is a sign of the high regard the business community has of UNDP. If a potential private sector partner approaches UNDP to initiate a partnership, it is important to undertake the due diligence as early on in the process as possible. A first minimum-level screening against the exclusionary criteria should be undertaken immediately following the initial discussions. Assuming the potential partner clears this screening, once the partnership negotiations have advanced to the stage where there is a clear indication of interest to collaborate on both sides and the programmatic content for the partnership has been broadly defined and articulated in a concept note, the full due diligence should be undertaken.

For the sake of transparency and to manage expectations, it is important to make it clear to a potential partner at an early stage in discussions that UNDP undertakes due diligence of its private sector partners and that we cannot commit to a partnership until such due diligence has been completed.

4.2 Due Diligence Assessment Criteria

Once a due diligence process starts a series of assessment criteria will need to be used to define whether or not to enter into a partnership with a potential partner that is not excluded under the exclusionary criteria above.

UNDP wants to work with the best companies in each sector. Therefore, as a due diligence assessment criteria we will give preference for companies that score, in global assessments like the ones done by outside reputable vendors, above average in their industry sector.¹²

The following are the areas to be reviewed to assess whether the potential partner is faced with any significant controversies.

¹² Currently UNDP and other UN agencies use the Sustainalytics vendor to provide us with global leading sustainability analysis and they score each company within their respective sector of the economy. In this analysis they demonstrate under their score how each company fares against the average per sector.

TABLE 3: Due Diligence Assessment Criteria

Areas of assessment	Examples of issues to look for (including whether policy/ management systems are in place)
Responsible leadership	<ul style="list-style-type: none"> • Good financial standing • Overall commitment to sustainability (e.g. participation in UN Global Compact, sustainability-related certifications, inclusion in sustainability indices etc.) • Positive brand recognition • Leading market position • Track record of commitment to development and community involvement
Human rights	<ul style="list-style-type: none"> • Avoid causing or contributing to adverse human rights impacts through business activities • Complicity in human rights abuses, including in supply chains • Respect rights of indigenous people when relevant • Rights and equal opportunity for all employees regardless of race, color, age, gender, sexual orientation, religion, marital status • Occupational health and safety issues
Labor	<ul style="list-style-type: none"> • Discrimination at work¹³ • Freedom of association and the right to collective bargaining • Occupational health and safety • Employment conditions
Communities	<ul style="list-style-type: none"> • Community health and safety • Impacts on livelihoods • Local participation • Social discrimination
Environment	<ul style="list-style-type: none"> • Pollution (including climate change) • Impact on ecosystems and landscapes • Overuse of resources • Waste management • Mistreatment of animals
Governance	<ul style="list-style-type: none"> • Corruption • Fraud • Tax evasion
Product-related	<ul style="list-style-type: none"> • Product safety • Controversial products or services • Marketing of breast milk substitutes contrary to the WHO's International Code of Marketing of Breast-Milk Substitutes.¹⁴
Ownership or management	<ul style="list-style-type: none"> • Controversies related to the individuals owning or managing the potential partner

For further details on the eligibility criteria, refer to the UNDP **Risk Assessment Tool for Private Sector Partners** and the associated **Risk Assessment Tool Guidelines**.

¹³ This also includes assessing potential partner's commitment to gender equity for example do they have family friendly policies, equal wage for equal job, work-life balance, etc.

¹⁴ The WHO's International Code of Marketing of Breast-Milk Substitutes is available at <http://www.who.int/nutrition/publications/infantfeeding/9241541601/en/>

4.3 Who Performs the Due Diligence?

In order to perform due diligence of a potential private sector partner, the overall process and steps outlined in Figure 1 below should be followed. To undertake the due diligence, the UNDP “Risk Assessment Tool for Private Sector Partners” should be used. Further details on the process can be found in the Risk Assessment Tool and the associated Risk Assessment Tool Guidelines.

It is the responsibility of the programme / project manager in the unit initiating the partnership to complete the Risk Assessment Tool.

The DIG/SES unit provides guidance for completing the due diligence. For multinational and large domestic companies, the DIG/SES unit has access to a commercial data provider that can provide background research on the potential partner as a basis for completing the Risk Assessment Tool. The initiating unit should contact the DIG/SES unit to check if such background research is available for the potential partner.

It is also important to note that the general procedure for developing and managing partnerships with the private sector is detailed in [the private sector section in POPP](#). The due diligence process is an integral part of the step on “assessing partnerships with the private sector”.

4.4 Making a Decision

A decision about whether or not to proceed with engagement with a partner will be taken based on the completed due diligence including a risk/benefit analysis of the partnership. The risk/benefit analysis shows if the balance between expected risks and expected benefits is in line with the risk tolerance of UNDP. UNDP may generally be willing to bear higher risks if the benefits of the partnership clearly outweigh the risks.

It is essential that there is separation between the staff who are directly involved in developing the relationship and making a recommendation as to whether or not to proceed, and the staff who make the final decision.

All decisions related to partnerships with companies to which exclusionary criteria apply and potential partners exposed to significant controversies must be escalated to UNDP Headquarters. In cases where the potential partner is involved in a high-risk sector (listed on p. 6) the RC/RR should be cognizant of the risks involved and, if they deem necessary, the decision can be escalated to the HQ. Otherwise the decision can be made locally.

For cases escalated to HQ, DIG/SES unit convenes an inter-bureau technical committee whose main task is to review the due diligence information, assess the partnership case and issue a recommendation to senior management for final decision-making.

Based on the recommendation of the technical committee, the Director of the Bureau where the partnership will take place, in consultation with the BPPS Director, decides whether to approve or decline the partnership, or whether to escalate it to the Organizational Performance Group (OPG) for the final decision. Particularly difficult cases may be referred to the Executive Group for final decision.

For those potential partnerships that do not require escalation, the final decision about whether or not UNDP should work with the partner should be made by the RC/RR for COs, and the Regional Director in the case of Regional Bureaus. For global level partnerships that do not require escalation, the BPPS Director takes the final decision. Even for cases that do not require escalation, it is advisable that an internal committee (in the CO or in the concerned Bureau) be convened to assess the risk and recommend actions.

It should be emphasized that the due diligence policy and process apply also to low-risk partnerships that are not decided at HQ.

For potential partners that have already been screened by other UN organizations within the past two years, UNDP will use such due diligence as a basis and will only undertake complementary due diligence on criteria that may not have been covered.

FIGURE 1 on the next page illustrates the escalation requirements and the decision making process.

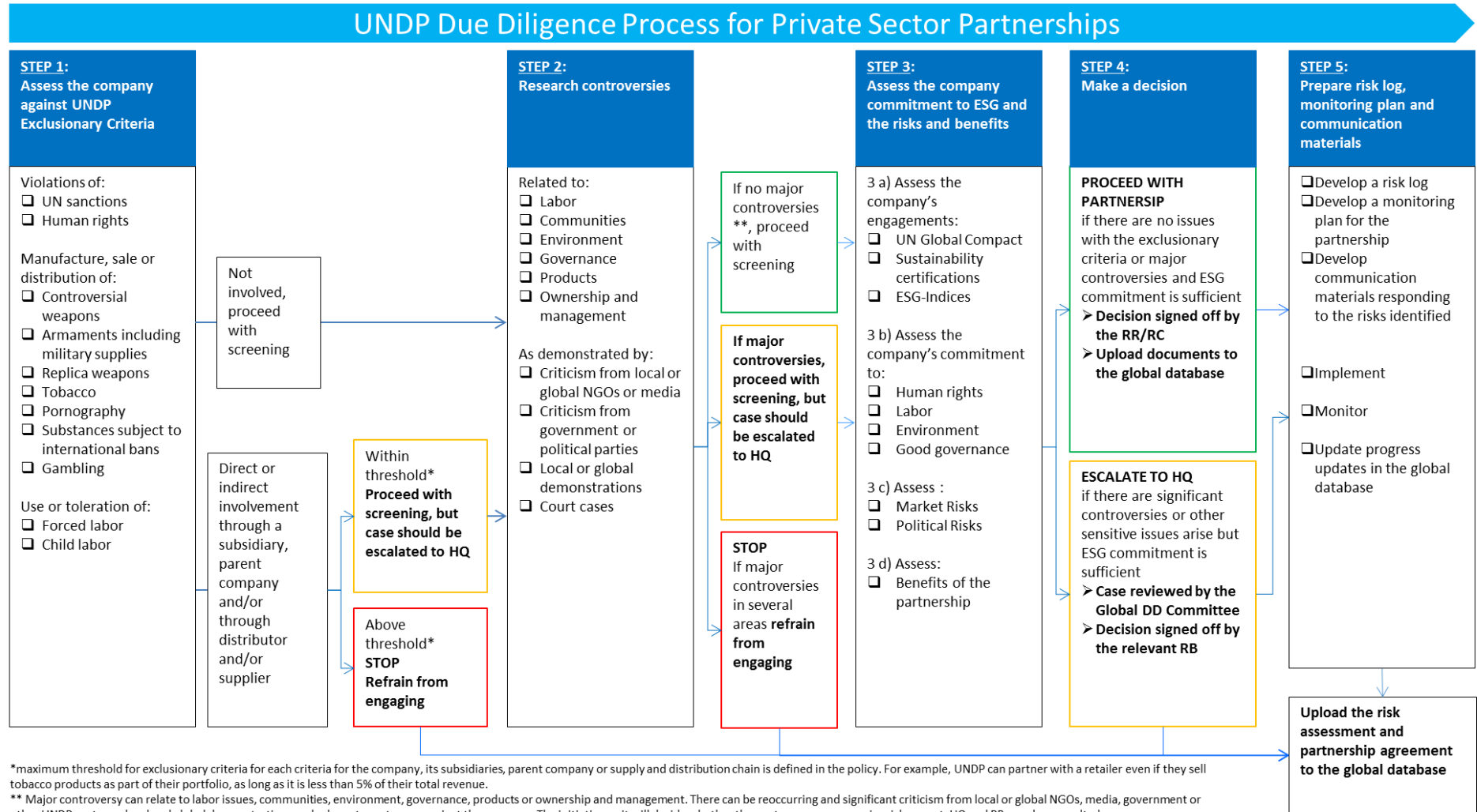
4.5 Monitoring the Partnership, Managing Risk and Reporting

Using the risk assessment as a basis, a monitoring plan needs to be drafted. In controversial and risky partnerships preparing a risk management strategy and risk management capacity assessment may be useful.

The Project Manager should regularly monitor the partnership and any possible controversies surrounding the partner or its industry. Similarly, the Project Manager should regularly assess whether or not the partner is meeting the conditions of the partnership. It is also important to monitor UNDP's own performance against the partnership agreement to ensure that the promises are delivered from UNDP side. The Project Manager is supported in its monitoring activities by the Regional Bureau or HQ, who can provide technical expertise when required.

The Project Manager needs to provide reports on the progress of the partnership at least once a year to their respective local office, the Regional Bureau and HQ for knowledge exchange, learning and monitoring. Any significant issues related to the partnership should be flagged to HQ. The initial Risk Assessment and the updates need to be recorded in the Private Sector Partnerships Database in the intranet.

Figure 1 UNDP Due Diligence Policy



Annex 1: Guiding Principles and Types of Partnerships with the Private Sector

1. Partnership Definition

UNDP defines partnership as “a voluntary and collaborative agreement or arrangement between UNDP and the private sector, as well as potentially other entities, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, and benefits. Nothing in such a partnership shall be deemed to establish either party as the agent of the other party or create a 'legal' partnership or joint venture between the parties. Neither party has power to bind the other party or to contract in the name of the other party or create a liability against the other in any manner whatsoever.”¹⁵

2. Guiding Principles for Partnerships

Regardless of the nature of UNDP’s engagement or partnership with the private sector (see Annex 1 for illustrative types of engagement), they should be guided by the principles outlined below.

TABLE 1: Guiding Principles for Partnerships

Principles	Description
Advance UNDP goals	Partnerships must focus on advancing UNDP goals, while recognizing the need for mutual benefits for all partners involved. A clear purpose for the partnership along with the added value (additionality) of the partnership in advancing UNDP’s strategic priorities should be clearly defined. To ensure sustained engagement and in order to maximize development impact, UNDP seeks in its work with the private sector to prioritize areas that are of immediate or close relevance to the core interests of the private sector partners.
Maintain integrity, independence and impartiality	Engagements with the private sector must allow UNDP to remain unbiased and maintain its integrity, independence and impartiality.
Ensure transparency	UNDP is a public organization and cooperation with the private sector must be transparent, with information on the purpose and scope of the collaboration being available to the public. Developing accountable and transparent governance structures, setting measurable targets, and having a robust monitoring and reviewing framework also reinforces the transparency of the partnership. Relevant information about the partnership should be made available on UNDP’s website.
Non-exclusivity and no unfair advantage	UNDP gives no exclusivity or unfair advantage or implied endorsement to any private sector organization, product or service, which might lead to unintended consequences such as

¹⁵ Based on partnership definition in “Guidelines on Cooperation between the United Nations and the Business Sector” and in United Nations General Assembly resolution 62/211, 2007

	market distortion and crowding out of other economic actors. Each private sector organization has an equal opportunity to propose cooperative arrangements with UNDP, and UNDP cooperates with any partner from the private sector, even if that organization is a competitor to another already in partnership with UNDP.
Cost-effectiveness	Partnerships should seek to minimize the administrative and financial burden they impose on UNDP and its partners i.e. in principle should be reciprocal.
Clearly defined roles and responsibilities and shared risk and benefits	<p>Regardless of the nature of the engagement UNDP enters into with a private sector entity, it is essential to clearly articulate the benefits each partner expects as a result of the partnership, while agreeing to share risks.</p> <p>When a partnership arrangement will have financial implications for UNDP, a formal written agreement should be established between UNDP and the private partner.</p> <p>In order to ensure sound management of the partnership, the roles and responsibilities of the partners must be clearly defined and understood. This understanding will be set out in the partnership agreement.</p>

3. Types of Engagement

UNDP acknowledges that innovative ways of partnering with the private sector are needed and encourages creativity and flexibility in shaping collaborative arrangements that can draw on the various assets that the private sector can bring to development and that can help deliver effective and sustainable development results.

When a partnership arrangement will have financial implications for UNDP, a formal written agreement should be established between UNDP and the private partner.

Examples of various types of engagement are highlighted in the table below. It should be noted that specific partnerships may include a combination of two or more of these types of engagement.

More detailed illustrations of these types of engagement can be found in Annex 2.

TABLE 2: Examples of Types of Engagement

Partnership type	Purpose	Possible UNDP instruments to use
Advocacy and Policy Dialog	Influence and encourage the private sector to bring about a change in the way business is done through more responsible and sustainable approaches.	<ul style="list-style-type: none"> • MoU
Resource Mobilization	Mobilize financial and in-kind resources from the private sector to support UNDP programs and projects	<ul style="list-style-type: none"> • MoU • Cost-sharing agreements • Pro-bono agreement • Small grants/contributions agreements
Innovations	Develop and deploy innovative solutions to respond to basic needs of low-income and disadvantaged communities and to promote sustainable development.	<ul style="list-style-type: none"> • MoU • Statement / Letter of Intent
Core Business for Inclusive Market Development	Harness the private sector's core business strengths (expertise, services, technology, etc.) to implement or promote inclusive business models.	<ul style="list-style-type: none"> • MoU • Technical assistance • Cost-sharing agreements • Small contribution agreements
Transformational Partnerships	Multi-stakeholder and multi-dimensional partnerships that leverage each partner's core competencies and are set up to address a systemic issue on a broad scale.	<ul style="list-style-type: none"> • MoU • Cost-sharing agreements • Letter of intent

More information in Annex 2: Types of Engagement with the Private Sector

Annex 2: Types of engagement with the private sector

a) Advocacy and Policy Dialog

Through **advocacy** and **awareness-raising**, UNDP seeks to influence and encourage the private sector to take action through more sustainable and responsible approaches, and to develop inclusive business models that contribute to poverty reduction.

UNDP also recognizes the role that the private sector plays in helping to shape policies, to influence decision-making and to engage with senior leaders to create new opportunities and better lives for many of the world's poor.

In this type of partnership, UNDP will mainly act as a facilitator and broker of public-private dialog and cooperation mechanisms.

To achieve this, UNDP can:

- Convene **public-private dialogs** and **collaborative platforms** aimed at catalyzing and incentivizing sustainable private sector solutions and investment, and building sustainable and inclusive markets;
- Support **issue campaigns** which aim to inform the general public about a particular issue crucial to sustainable human development, the MDGs and its successor framework post-2015;
- Advise governments on **more appropriate regulation** and strategies to include the MDGs in national development plans, while involving the private sector in social dialog to promote transparency and a more private sector-friendly environment;
- Play a leading role in terms of **conducting relevant research** on developing and engaging the private sector, producing global, regional, and national reports and action-oriented tools, coordinating solutions, etc.;
- Promote **network-building** and knowledge-sharing at the local, regional and global level.

b) Resource Mobilization

This type of partnership aims to **mobilize financial** and **in-kind resources** from the private sector to support UNDP programs, projects and other types of partnership listed in this Policy. The private sector can provide the following resources:

- **Financial resources:** cash donations, funding or the co-financing of a specific UNDP project.
- **In-kind contributions:**
 - Pro-bono services:* private sector staff donates its time and professional expertise to UNDP projects and programs.
 - Pro-bono products:* products to strengthen UNDP projects, covering the costs of utilizing these products in the project.

Case Study – Advocacy and Policy Dialog

In Africa, UNDP established the **African Facility for Inclusive Markets (AFIM)**, enabling public-private dialog and collaboration on priority issues such as agro-food value chains. AFIM serves as a platform for coordinating inclusive growth activities between the UN, governments, regional economic communities, and the private sector. Through workshops and targeted interventions, AFIM facilitates knowledge-sharing, access to finance, and the dissemination of best practices in inclusive market development, with an emphasis on creating opportunities for low-income and marginalized groups.

In 2011, AFIM brokered the ‘[Johannesburg Declaration](#)’ which is the first joint public-private declaration on agribusiness, food and nutrition.

For information on the criteria which must be taken into account when considering accepting pro-bono contributions, please consult the private sector POPP.

Resources from the private sector can be mobilized through two models: traditional philanthropy and corporate social philanthropy. Traditional philanthropic models have as their primary focus the generation of social benefit, with little or no consideration for profitability or financial return, and little or no connection to the core business. With corporate social philanthropy, on the other hand, companies align charitable activities (e.g. donations, volunteer programs) with a social issue or cause that supports their business objectives (i.e. aligning social goals with their economic goals).

c) Innovations

Partnerships in innovation seek to develop and deploy **innovative solutions** to advance UNDP's goals for sustainable and inclusive development. In this type of partnership, corporate and other relevant actors explore innovative products, services, and processes with a pro-poor focus in order to deliver essential goods, services and models to disadvantaged communities.

Through this type of partnership, UNDP seeks to coordinate efforts and promote collaboration between key actors from the private sector, academia and civil society to design and explore novel ways to empower the poor and formulate solutions to local challenges. Innovative products, services and processes that are developed through this type of partnership should respond to user needs and be context-appropriate. They must be built upon previous experience, demonstrate that they lead to positive change in the living conditions of under-privileged groups, create a more conducive and enabling environment for improvement, and be viable and replicable in the long run.

New and innovative products and services, with a pro-poor focus, have the potential not only to provide ingenious solutions and improve quality of life, but also to create significant economic growth and employment, promote small-scale entrepreneurship, strengthen supply chains, etc. Therefore, in the interests of successful innovation, this type of partnership might take elements from advocacy, core business, resource mobilization, etc.

Case Study – Resource Mobilization

Initiated in 2006, “**Every Drop Matters**” is a UNDP regional partnership initiative with financial contributions from Coca-Cola in Europe and the CIS. The initiative aims to increase access to safe drinking water, facilitate the use of environmentally sound industrial technologies, and promote responsible water resource management through outreach and awareness-raising activities.

The project's vision is to allow communities to enjoy improved access to safe drinking water while providing initiatives that promote the sustainable use of water for industrial and domestic purposes.

Case Study - Innovations

Since March 2012, 5,000 of Haiti's earthquake-hit households have been able to receive installments of cash via the first-ever mobile money transfer mechanism to support post-disaster housing reconstruction.

The mobile phone cash transfer initiative, developed in partnership between the government of Haiti and Digicel, one of Haiti's largest cell phone companies, is helping to boost financial inclusion in Haiti, where nearly two-thirds of the population has access to mobile phones but only 10% has a bank account.

Beneficiaries can also access a mobile phone checking account, which is a safer method of storing cash that also reduces financial transaction costs, improves users' ability to save, and helps bring more people into the formal financial sector.

To achieve this, UNDP can:

- **Identify challenges** faced by local communities which impair their development and access to a better quality of life, and identify and connect the key actors in the development process, such as communities, businesses, relevant technical institutions, civil society groups, etc.;
- Participate in and promote **Knowledge and Innovation Communities (KIC)**¹⁶. UNDP can set research agendas, improve data-sharing, and enhance debate and reciprocal access to information;
- Support **pilot projects** in innovation, with the potential to be scaled up by markets and/or policy changes;
- Support the establishment of “**innovation labs**”, which are physical spaces that allow for collaboration between the private sector, academia and civil society;
- Facilitate **working capital** for research and development initiatives (R&D).

d) Core Business for Inclusive Market Development

Core business operations and value chains can create shared value by involving the poor and benefiting them as producers and business partners in the supply and distribution chain, as employees in the workplace, and as consumers in the marketplace. As such, they promote **inclusive business models** which contribute to inclusive market development.

Core business tends to target improvements along the entire value chain or at key levels (such as the producer) to enhance development outcomes and improve the management of the environmental, social and governance aspects of business. In this kind of partnership, UNDP has an agreement with one or more companies and other development actors to carry out certain activities that can help to implement more inclusive business models at these companies. These activities might include upgrading the supply capacity of local producers and SMEs, improving the ability of producers to comply with industry standards, or transferring knowledge and relevant skills for more efficient production processes, for example.

These inclusive business models are founded on policy, research and advocacy (i.e. advocacy and policy dialog partnerships). When these models are put into practice, they rely on partnerships with other organizations that contribute financial resources and specialized capabilities (i.e. resource mobilization).

In this type of partnership, UNDP can:

Case Study – Core Business for Inclusive Market Development

In Mexico, UNDP’s **supplier development program** helps local small and medium-sized enterprises (SMEs) that are engaged in economic sectors of national importance to access innovative technologies and expertise to enhance their competitiveness, link up to suppliers and move up the value chain.

Over a period of four years, 461 SMEs have been linked with 56 lead firms. The program hosts a web portal consisting of 4,200 companies. The average increase in sales per supply chain was 15%, and the supply chain creating the highest number of jobs was agribusiness (amaranth), with a 42% increase in employment.

The program has been replicated by UNDP in El Salvador, Colombia, Honduras and South Africa.

¹⁶ A KIC is a highly integrated, creative and excellence-driven partnership which brings together the fields of education, technology, research, business and entrepreneurship to produce new innovations and new innovation models to address key societal challenges. Key actors include businesses (including SMEs), entrepreneurs, research and technology organizations, institutes of higher education, investment communities (private investors and venture capital), research funders, including charities and foundations, and local, regional and national governments.

- Support the implementation of **responsible production and trading models** that seek to reduce negative environmental impacts while increasing economic and social benefits from production;
- Support the execution of **joint capacity-building programs** that improve supply capacity and enable local market actors and SMEs to access new market opportunities and information;
- Facilitate the **integration of poor producers and other market actors in key value chains and economic sectors** across geographic regions, by establishing **platforms and networks** to ensure that clusters of local suppliers have sustainable business links with potential buyers;
- Support the development and deployment of **products and services** that benefit low-income and disadvantaged consumers;
- Promote **access to financing and working capital** for poor producers and other market actors in key value chains.

UNDP is seeking to strengthen its relationship with the financial sector in order to explore innovative ways of financing for development. Such mechanisms depart from traditional approaches to mobilizing development finance, and also go beyond traditional spending approaches. To this end, UNDP will explore how it can better use financial instruments such as challenge funds, credit guarantees, bonds, etc.

e) Transformational Partnerships

A transformational partnership is a multi-stakeholder engagement that restructures the rules of the game to make markets work, creating systemic change to benefit society at large, improving the enabling environment, and setting global norms. This systemic impact requires the coordinated efforts of a wide variety of actors.

Transformational partnerships have the capacity to transform the ways in which UNDP, civil society, governments, and other stakeholders work with business to ensure the rapid and sustained realization of development goals. Additionally, transformational partnerships leverage their participants' core competencies, and are designed for scale and long-term impact. As a result, these partnerships can deliver transformative impact across sectors and geographical areas, addressing both public and private objectives through changes in policy, market structure, and/or social norms. Given their higher level of impact, transformational partnerships will adopt successful elements from other types of partnership.

Case Study – Transformational Partnership

The UN is leading a global initiative on **Sustainable Energy for All** to mobilize all sectors of society in support of three interlinked objectives to be achieved by 2030: providing universal access to modern energy services; doubling the global rate of improvement in energy efficiency; and doubling the share of renewable energy in the global energy mix.

In close collaboration with the World Bank, civil society and businesses, and other UN agencies, UNDP is leading country-level engagement as part of the campaign. This work includes raising awareness, supporting national coordinating committees, and helping countries to develop plans of action for universal energy access.

The benefits of achieving universal access to modern energy services are transformational: lighting for schools, functioning health clinics, pumps for water and sanitation, cleaner indoor air, faster food processing and more income-generating opportunities, among others.

The following criteria make a partnership transformational:

- **It should advance or address a systemic issue**¹⁷. Such a change could come from the effective enforcement of existing rules or the institution of new rules, the correction of a market failure, a shift in behavioral norms, or a combination thereof;
- **Involve the appropriate set of stakeholders**. Partnerships seeking to address large-scale systemic issues need to include the relevant stakeholders across the UN system, private and public service, academia, and civil society, either as primary partners or as advisors;
- **Leverage the core competencies of all partners**, such as convening power, resources, local presence, technical expertise, or distribution network, etc., to address the systemic issue across the value chain;
- A transformational partnership has the **potential to achieve scale and lasting impact**. Interventions are designed to change market dynamics and consumer behavior.

Even though transformational partnerships are not yet broadly deployed or developed, UNDP has the capacity to support systemic change by:

- **Convening business**, civil society, and governments to create bottom-up solutions to systemic issues;
- Promoting transformational initiatives and **urging key actors** to attract additional partners;
- Supporting the **strengthening of policy and institutional frameworks**, consistent with the particular theme or issue being addressed;
- Assisting **capacity-building programs** and coordinating the transfer of expertise and technology;
- **Catalyzing public and private financing** aimed at achieving market transformation

¹⁷ Systemic issues are defined as fundamental market or governance failures that can only be addressed in an integrated manner, e.g., addressing malnutrition requires interventions in provision of food, sanitation, education, etc.