Private Sector Guidance

This is part of a series of Guidance notes designed to assist users of the Effective Collaborative Action methodology. You can find the full methodology here.

This Guidance note provides advice on how to approach Private Sector Stakeholders for an effective engagement.

Introduction

Often when we start a collaborative effort - an alliance, partnership, a multi-stakeholder regional initiative or a national platform – we want and need to engage with the private sector both nationally and internationally.

The private sector includes a wide range of market actors that may operate either in the informal or formal economy. UNDP considers the following actors as part of the private sector or as important market actors that you could work with in your collaborative effort:

a. Multinational companies with global reach and operations (e.g., from the North and the South, and with wide presence in multiple countries, including in UNDP programme countries)
b. Large domestic companies
c. Micro, small and medium enterprises (MSMEs)
d. Business intermediaries and interlocutors such as Chambers of Commerce and Industry, business associations, innovative alliances, business roundtables, stock exchanges and a new generation of cooperatives
e. Social enterprises and other innovative constellations formed to address a specific development issue or cause
f. Mutual organizations (such as Visa, MasterCard, asset management companies, cooperative banks, mutual saving banks, credit unions, mutual insurance/assurance, and health care companies)

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1 For further detail and definitions of these categories, see the UNDP Private Sector Strategy.
g. State Owned Enterprises (SOE), i.e., either wholly or partially owned by a government and that engage in commercial activities as part of an open market system

Creating professional relationships with the private sector is an important component of Effective Collaborative Action. Many of the solutions to address transformational change will take place within national borders, whether it’s a jurisdictional dialogue, a national platform, or with a commodity or food system project, and will benefit from the private sector’s understanding, knowledge, practices and participation in creating a shared future.

This guidance note is designed to help you understand some key principles to consider when working with the private sector, so the engagement can be as effective and purposeful as possible.

We recommend that the Backbone support team integrate this guidance into their strategy and plans for their effort.

**Recommended Principles**

We recommend the following principles be at the heart of working with the Private Sector:

1. **Smart and inclusive representation.** Ensure you do your homework to know and understand who the key private sector actors are with interest and influence in your effort.

2. **Create and use a strategy & plan for engagement.** Make a private sector engagement strategy for your collaborative effort, tailored to different actors (see list above) if needed. This can be part of your broader stakeholder engagement plan.

3. **Engage Effectively.** Design appropriate communication strategies and collaboration processes to inspire, motivate and engage the private sector.

**Suggested approach for developing your Private Sector strategy & engagement plan**

There are four key areas to consider in developing a strategy and plan for engagement with the private sector. Consider utilizing from each area the key elements that work in your situation.
1. **Understand the system**: Identify who the key private sector actors are in your system. Use the stakeholder mapping exercise in the first building block of the methodology: Understanding the System, to identify top 10 target companies or organisations.

   a. Think beyond the ‘big names’ and make sure you scope out the full range of actors who are in your system. Leaders in sustainability, even if small companies, can be great champions. You can use the list above to help guide your mapping of private sector actors and identify who you need to involve.

   b. Ensure you do your **due diligence** and be aware of potential risks of engaging with certain companies, for example ones known for human rights abuses or industries associated with fossil fuel. See the link in the footnote to UNDP’s guidance on due diligence with private sector.

2. **Understand your stakeholder**:

   a. Organisational overview:

      I. What is the organisation’s current vision (with regards to the issue you are working on)?
      II. What are their existing sustainability commitments and policies?
      III. Who are they working with already?
      IV. What programmes do they have in place?
      V. How are they doing financially?
      VI. Identify who is the right person to connect with in terms of job description. Use your contacts to connect with the right level (e.g., seniority) or department of the company
      VII. Check who else on the team has met with the company, keep your contact notes updated

   b. Specifically for the commodity/landscape they are working on:

      I. Is this private sector actor already engaged with it? Through which forum? What are they contributing?
      II. Do we know if they are sourcing from here? What volumes? Who are their supply chain partners?
      III. What do we know are the key sustainability issues for this landscape/commodity and what is UNDP doing specifically to tackle them?

3. **Develop an engagement strategy and plan**: If you find you have identified a wide range of private sector actors, you may need to develop tailored plans for subgroups: e.g., national SMEs who provide inputs to smallholders will
require a different approach to large multinationals or the Chamber of Commerce. Given the information you found garnered understanding the system and stakeholders, consolidate it into your plan/s for working with the private sector.

a. Clarify potential scope of engagement: what do you want them to participate in, and in what way? E.g., in a sub-national level dialogue process or national level platform?

b. The plan should articulate the specific ‘entry points’ (areas of interest) that correspond to the issues being tackled in the collaborative effort. For example, do companies have zero deforestation commitments they need to meet?

c. Are there any events coming up you think will be useful or interesting to invite them to? E.g., Roundtable meetings, report launches, producer group consultations.

c. Identify who will be a focal point from the backbone organisation that will be responsible for building a relationship and follow up.

4. Meet and co-create an approach to meet their needs and the project’s needs.

a. Articulate the purpose of the Collaborative effort in a way that will resonate with what you have identified as their areas of interest.

b. Listen to where their interests lay and through that discuss how they may be able to participate and contribute to the effort. Discuss what their engagement could bring to the project and the benefit of participation and action could be to their business. How will it be different to what they are doing now.

c. Be aware of commercial sensitivities, especially when convening companies in the same sector who may be competitors. This may influence how you frame discussions and what information, and action can be shared or agreed. Also note Anti-Trust and Competition Laws in your country that may dictate what can be discussed and agreed.
Private Sector Engagement Examples

Below are a few examples that illustrate different approaches to engaging private sector.

Palm Oil in Indonesia

Palm oil is an important global commodity, and the leading plantation commodity in Indonesia, providing employment for millions of people. However, there are well known sustainability challenges associated with the production of palm that persist, despite efforts by the sector to improve. The government of Indonesia has led the formation of the Indonesian Sustainable Palm Oil Forum, which brought in private sector, NGOs, business and smallholder associations to develop a common strategy and National Action Plan (NAP). The incentive for the private sector to join the Forum and engage in the process to develop the NAP was the fact that global producers, traders, and brands of palm oil had signed up to the No Deforestation, No Peat and No Exploitation commitment since 2013, but were finding it very challenging to meet these targets given the complex supply and processing supply chains. By collaborating together with other companies, government and other stakeholders under the framework of the NAP, it is empowering sub national governments to adopt and implement their localised plans and persuading other high-risk mills and companies to join. This Collaboration forum in Indonesia also provided opportunities for companies to provide technical assistance to directly support sustainable production beyond their own value chains, as well as being able to show that they are contributing to the successful implementation of the country’s NAP.

Cashmere in Mongolia

The Mongolia Sustainable Cashmere Platform was established in 2019 to create nationwide multi- stakeholder commitment to the long-term sustainability of the cashmere sector. Participants are expected to collectively formulate and implement collective action plans that address the root causes limiting the sustainability of the sector. The process focuses on establishing partnerships and coordinated investment and actions between government, herder associations, national industry and international companies using Mongolian cashmere to accelerate current efforts focusing on advancing the sustainability of cashmere production and processing. Several working groups were identified by the stakeholders who developed the Platform roadmap as being essential to its success, including one that represented the private sector – the International Market Sector Advisory Group (MSA). The formation of this group ensured diverse representation of companies along the value chain (wool buyers and processors, accessory manufacturers, brands from mass, medium and luxury markets) and has established linkages between the dialogues and action taking place at national level and international market requirements. To help companies make an informed decision about joining
the MSA, a brief term of reference (TOR) was developed that laid out the expectations of members (e.g., commitment to the Platform values and vision, to attend at least 75% of meetings, and to provide feedback to materials when requested). Also, the TOR highlighted the benefits to companies of joining, for example the opportunity to develop the definition and concept of sustainable cashmere that can work for the private sector’s supply chain and marketing needs. It also demonstrates their commitment to the sustainability of the sector to their consumers, and allows them to co-create action plans and related interventions, ensuring operational, quality, communications and claims requirements are built in.

**Deforestation in the Amazon**

UNDP’s flagship initiative *From Commitment to Action* implemented in Peru and Colombia brought stakeholders together to take stock of commitments, investments, progress, and gaps on deforestation commitments. Bringing in private sector actors to the National Dialogues was a new concept for many national companies, and the implementing team quickly found that this required additional time to build new relationships and help raise understanding of the benefits of participation and the overall aim of these dialogues. They also had to invest time to adapt outreach materials and agendas to ensure they met needs of the companies, to encourage their future engagement, especially as there are many forums competing for people’s time. For many companies it was the first time they participated in dialogues to examine the current environments impact on commodity production and help identify what is needed to help meet deforestation free commitments. Using public commitments made on a distinct issue (in this case stopping deforestation in the Amazon) proved to be a good entry point for engagement with companies, especially international ones.
Annex

UNDP Guiding principles for working with the private sector

In order to deliver clear benefits to countries and people, certain principles should guide all of UNDP’s work with the private sector. The Guidelines on a Principle-Based Approach to the Cooperation between the United Nations and the Business Sector and the Global Compact Ten Principles provide a systemic approach to partnerships among United Nations agencies and businesses, placing great emphasis on transparency, coherence, impact, accountability and due diligence. UNDP’s approach to development and partnerships also draws on UNDP’s Social and Environmental Standards along with related procedures and accountability mechanisms. These standards ensure that all interventions respect human rights, promote gender equality and women’s empowerment, and protect the environment. In addition, the following principles for private sector-related work have been developed over several years of engagement with a range of actors:

- **Sustainable human development, inclusion and equity**: All of UNDP’s work with the private sector ultimately aims to achieve sustainable development through more inclusive businesses and markets. This emphasis on human development focuses on social progress, economic empowerment and equity, gender equality, resource efficiency, participation and unrestricted access to rights and freedoms.

- **Human rights**: UNDP protects and promotes the universal values of human rights and rule of law – guided by the Charter of the United Nations and the Universal Declaration of Human Rights. In its private-sector work, the UNDP also abides by the Guiding Principles on Business and Human Rights.

- **Multi-stakeholder approach and civil society involvement**: UNDP’s engagement with the private sector is based on multi-stakeholder approaches, which engage governments and civil society as well as the private sector and foundations.

- **Results and measurability**: With a firm commitment to be a results-based organization, UNDP follows the standards for results measurement adopted for its quality assurance system as well as guidance developed by DCED and other results-based management tools.

- **Specificity and strategic significance**: Achieving measurable results requires prioritization and focus. All of UNDP’s work with businesses will
focus on its strategic priority areas of expertise; open-ended engagements will be avoided. UNDP will take a proactive and targeted approach to outreach and will clearly communicate its priorities.

- **Relevance to core interests of the private sector**: To ensure sustained engagement and maximize development impact, UNDP will prioritize its work with the private sector in areas of common interest.

- **Value for money**: UNDP will ensure that engagement with the private sector is of sufficient scale to deliver impact and value for money. Partnerships with potential for multi-country intervention will be encouraged in order to harness economies of scale and share risks.

- **Global initiatives linked to country-level results**: Global initiatives should be linked to demand-driven country-level activities and results. Exceptions will be made only when initiatives support UNDP’s agenda for change or promote its leadership role.

- **Visibility and branding**: Proper recognition will be afforded to private-sector partners in line with UNDP’s rules and regulations, and its focus on impartiality.

- **Risks, due diligence and accountability**: As per UNDP’s 2013 *Policy on Due Diligence and Partnerships with the Private Sector*, and its 2015 Guidelines on a Principle-Based Approach to Cooperation between the United Nations and the Business Sector, potential UNDP private-sector partners and corporate foundations must undergo a due diligence screening, which precedes a risk-informed decision regarding whether to engage or refrain from a formal partnership. *The Policy on Enterprise Risk Management (2016)* guides UNDP on risk acceptance, escalation and risk reporting. UNDP does not accept or transfer upon itself any risk from private-sector partnerships by its affiliated entities or hosted organizations, which are responsible for their own due diligence and scrutiny.

- **South-South cooperation**: UNDP recognizes the critical role of national capacity to engage in South-South cooperation and the importance of universal access to knowledge achieving the 2030 Agenda. In its work with the private sector, UNDP will scale up its support to South-South cooperation by: providing policy advice and strengthening national
capacities; supporting global dialogue and system coordination; and establishing global development solution-exchange platforms.