**POLICY ON DUE DILIGENCE AND PARTNERSHIPS WITH THE PRIVATE SECTOR**

**(updated June 2023)**

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**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

**SDGs** Sustainable 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

**PSDD** Private Sector Due Diligence

**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 SDGs

**RAT** Risk Assessment Tool

**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 than 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

# Introduction

UNDP’s Executive Board Decision of 2020 [[1]](#footnote-2) welcomes the strong UNDP performance in mobilizing resources and encourages UNDP to broaden the contributor base in line with the funding compact of the Secretary-General, including by overcoming legal and other obstacles for improving its cooperation with the private sector. This Policy on Due Diligence and Partnerships with the Private Sector, complemented by its Risk Assessment Tool and the Risk Assessment Tool Guidelines(2023), aims to strengthen the risk management capacity of UNDP to work with the private sector.[[2]](#footnote-3)

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.

This policy was revised to align with the UN Sustainable Development Group’s Common Approach and UNDP’s Enterprise Risk Management Policy. The following key changes were made:

* The extent of due diligence to be performed, represented by the sections of the Risk Assessment Tool (RAT) which must be completed, has been amended to align with the UNSDG Common Approach to Due Diligence. There are now three due diligence pathways (Basic, Standard and Enhanced), determined by the type of legal agreement being proposed, and the type of private sector entity involved.
* The risk levels in the RAT have been aligned with UNDP’s Enterprise Risk Management Policy. There are now four levels of risk (Low, Moderate, Substantial and High).
* The quality assurance mechanism has been expanded in order to leverage capacities across the organisation and to be more selective on the number of cases being brought to the HQ Private Sector Due Diligence (PSDD) Committee for assurance. Private Sector Due Diligence Committees have been established at HQ, Country Office, and Regional Bureau level. This is in alignment with UNDP’s ‘second line of defence, and these committees will be responsible for technical support and oversight on the application of the PSDD Policy and RAT at a local level.
* Decision making responsibility is linked with the four risk levels identified in the RAT, and the decision maker role is clearly defined, with greater involvement of Central and Regional Bureau Directors, who will make all decisions relating to moderate and substantial risk partnerships. The Risk Committee will be informed of all potential partnerships at a moderate level of risk or above and will themselves decide on all high risk partnerships.
* The frequency of monitoring of risks associated with partnerships will be determined by the four risk levels, and it will be done at least annually.
* Spot checks of the due diligence process will be introduced as part of the ‘third line’ of defence. This mechanism will act as an independent assurance mechanism that reviews the operation of management’s own controls (first line) and their monitoring thereof (second line). Regional Bureaus will spot-check due diligences of COs, and the BPPS Effectiveness group will organize for an independent assessment for compliance with the due diligence process at global level. This spot check will validate that the due diligence process was conducted as per the policy and related guidance, and that necessary monitoring of the partner risk assessment and treatment mechanisms are operational.

Discussions are ongoing with regard to UNDP’s engagement with the extractive industry. This policy and its associated tools will be updated to take account of any implications resulting from subsequent decisions.

# 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 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 risk informed decisions in 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 responsible engagement of UNDP in these partnerships.

The Policy also brings UNDP into alignment with the [UNSDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships](https://unsdg.un.org/sites/default/files/2020-03/Annex-1-UNSDG-Common-Approach-to-Due-Diligence.pdf), the UNDP [Private Sector Partnership Policy](https://popp.undp.org/node/11301) and [Enterprise Risk Management Policy](https://popp.undp.org/node/10716) in how they manage the risks of working with the private sector.

The general procedure for developing and managing partnerships with the private sector is detailed in [the private sector section in POPP](https://popp.undp.org/node/11301). The due diligence process is an integral part of the step on “assessing partnerships with the private sector”.

# Policy on Due Diligence

## Application of Policy

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:

1. For-profit and commercial enterprises of any size
2. Corporate foundations[[3]](#footnote-4)
3. 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 members[[4]](#footnote-5).
4. State owned enterprises.

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.[[5]](#footnote-6)

**What is outside the scope of this Policy**

Sporadic, non-commercial-income-generating activities on the part of individuals are not considered part of the private sector. Individual fundraising and corporate crowdfunding donations below $5k are also outside of the scope of this policy but are covered by UNDP’s AML/CFT requirements [[6]](#footnote-7). Out of scope are also entities that are the ultimate target beneficiaries of UNDP’s development interventions, as articulated in the organization's programming modalities (e.g. micro and small enterprises).

UNDP also procures goods and services from the private sector. Whilst this policy does not apply to procurement, it should be ensured that if a private sector entity is not deemed to be fit for a partnership with UNDP, this is be taken into consideration in any procurement processes where the entity is considered. Applying the same principle, when we have a long-term procurement relationship, we should not use that knowledge to accelerate our due diligence processes. A partnership with UNDP does not give a private sector entity preferential treatment in UNDP procurement processes.

## 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 (including those of a corporate foundation’s ‘founding’ or ‘host’ company) 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[[7]](#footnote-8).

In all cases where there is evidence of a potential partner’s direct involvement in exclusionary criteria, but where engagement is still considered possible according to Table 1 below, any decision making must be escalated to the Risk Committee.

| **TABLE 1: Exclusionary Criteria** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | **Type of**  **Involvement 7**  **UNDP’s Exclusionary Criteria** | **Direct involvement of the potential partner in exclusionary criteria** | **Indirect involvement of the potential partner in exclusionary criteria through a subsidiary** | **Indirect involvement of a potential partner in exclusionary**  **criteria through the parent company** | **Indirect involvement of a potential partner in exclusionary**  **criteria through potential partner distribution / supply chain[[8]](#footnote-9)** |
| 1. | 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 |
| 2. | 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 |
| 3. | 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. |
| 4. | 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 |
| 5. | Violations of UN sanctions and the relevant conventions, treaties, and resolutions, and inclusion in UN ineligibility lists, UNDP vendor sanctions list or UNDP Internal Excluded List [[9]](#footnote-10) | 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 |
| 6. | 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 |
| 7. | Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products  and derivatives obtained illegally or in contravention of CITES.[[10]](#footnote-11) | No engagement 9 | No engagement if potential partner owns  >20% of subsidiary | No engagement if parent company owns  >20% of potential partner | No engagement 9 |
| 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 |

|  | **Type of**  **Involvement 7**  **UNDP’s**  **Exclusionary**  **Criteria** | **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 chain8 in exclusionary**  **Criteria** |
| --- | --- | --- | --- | --- | --- |
| 9. | Involvement or complicity in systemic or egregious human rights abuses | No engagement[[11]](#footnote-12) | 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 human rights abuses are evident in the supply chain / distribution chain of the potential partner |
| 10. | Use or toleration of forced or compulsory labor | No engagement11 | 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 human rights abuses are evident in the supply chain / distribution chain of the potential partner |
| 11. | Use or toleration of child labor | No engagement11 | 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 human rights abuses are evident in the supply chain / distribution chain of the potential partner |

## 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, where the occurrences of significant controversies is considered to be particularly high and / or where adherence to main corporate sustainability principles is regarded as more challenging or has historically been weaker. These sectors are listed in Table 2. Involvement in these ‘high risk’ sectors automatically increases the risk of the partnership to at least moderate and in the case of extractive industries, to high risk. [[12]](#footnote-13) This risk level determines the level of quality assurance to which a partnership will be subject and at which level decisions will be taken on whether or not to proceed.

**TABLE 2: High-risk sectors**

|  |
| --- |
| **Oil and gas[[13]](#footnote-14)**  Extraction of oil and gas (including oil sands); manufacture of refined petroleum products; transport via pipeline. |
| **Metals and mining[[14]](#footnote-15)**  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. |
| **Utilities[[15]](#footnote-16)**  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). |
| **Large infrastructure**  Construction of buildings, roads, railways, civil engineering projects; construction or upgrading of large dams, nuclear power plants or pipelines. |
| **Agriculture and fishing**  Growing of crops, including palm oil or other large monocultures (e.g. energy crops for biofuels); livestock farming, fishing; aquaculture. |
| **Timber, pulp and paper**  Timber production; logging; sawmilling and planing of wood; production of pulp and paper. |
| **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. |
| **Chemicals**  Manufacture of basic chemicals, pharmaceuticals, petrochemicals, agrochemicals, pesticides, fertilizers, plastics, paints, varnishes, coatings, detergents and toiletries. |
| **Clothing, toys and consumer electronics** (risks are due mostly to issues in the supply chain). |
| **Fast food, high sugar drinks and soda** |

## Due Diligence Assessment - Controversies

In addition to exclusionary criteria and sector, a key element of the risk analysis will be to gather information on the potential partner’s Environmental, Social, Governance (ESG) performance, to identify if the entity is faced with any significant controversies. Evidence of controversies will also determine the level of risk and the level of quality assurance to which a partnership is subject, as well as determine at which level the decision is made on whether or not to engage. Table 3 sets out these areas of potential controversies.

**TABLE 3: Areas of potential controversies**

|  |  |
| --- | --- |
| **Areas of**  **assessment** | **Examples of issues to look for (including whether policy/ management systems are in place)** |
| Responsible leadership | * 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 | * 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 | * Discrimination at work[[16]](#footnote-17)13 * Freedom of association and the right to collective bargaining * Occupational health and safety * Employment conditions |
| Communities | * Community health and safety * Impacts on livelihoods * Local participation * Social discrimination |
| Environment | * Pollution (including climate change) * Impact on ecosystems and landscapes * Overuse of resources * Waste management * Mistreatment of animals |
| Governance | * Corruption * Fraud * Tax evasion * Illicit financial flows, incl money laundering and financing of terrorism |
| Product-related | * Product safety * Controversial products or services * Marketing of breast milk substitutes contrary to the WHO’s International Code of Marketing of Breast-Milk Substitutes.[[17]](#footnote-18)14 |
| Ownership or management | * Controversies related to the individuals owning or managing the potential partner |

# Procedure for Undertaking Due Diligence

## 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 and, based on this, to seek out the best suited private sector partners.

Care should be taken to ensure that these activities are efficient and aligned with UNDP’s risk appetite. Due diligence should be undertaken as early as possible in the engagement process and engagement with the private sector kept to a minimum before information on exclusionary criteria, sector risk and potential controversies are screened.

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.

## Due Diligence Pathways

There are three due diligence pathways, Basic, Standard and Enhanced. The type to be followed is determined by two things – the type of legal agreement being proposed, and the type of private sector entity involved, as set out in Table 4 below.

**TABLE 4: Determining the due diligence pathway**

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of legal agreement** | **Type of entity** | | |
| **Business associations, coalitions and alliances** | **For-profit academic institutions.** | **Corporate foundations /**  **For-profit and commercial enterprises of any size / State owned enterprises.** |
| **Non-financial agreement\*** | Basic | Basic | Enhanced |
| **Financial agreement ≤ US$150,000** | Basic | Basic | Enhanced |
| **Financial agreement > US$150,000** | Standard | Standard | Enhanced |

The due diligence pathway determines the sections of the Risk Assessment Tool that must be completed, as shown in Table 5.

**TABLE 5: Application of due diligence pathway to Risk Assessment Tool**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sections of the Risk Assessment Tool** | **Basic** | **Standard** | **Enhanced** |
| **1 – Collate information including on high risk sector** | Y | Y | Y |
| **2 – Exclusionary criteria** | Y | Y | Y |
| **3 – Controversies** | Y | Y | Y |
| **4(a) – ESG Commitment** | N | N or Y[[18]](#footnote-19) | Y |
| **4(b) – Partnership Risk & Benefits** | N | N or Y[[19]](#footnote-20) | Y |

## 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 portfolio/programme / project manager in the unit initiating the partnership to complete the Risk Assessment Tool.

For all 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.

Guidance for completing the due diligence can be provided by any of the quality assurance mechanisms described in Section 4.5 below.

## Risk Levels

Completion of the due diligence process will indicate the risk level for each potential partner. This risk level will determine the level of quality assurance that must take place over the due diligence process itself, and also the level at which the decision to engage with the entity will be taken. This policy defines four levels of risk, in alignment with UNDP’s ERM policy:

1. **High risk:** engagement with sectors of the economy or business practices that are incompatible with UNDP’s vision, mission and values or private sector entities that are in violation of UN resolutions or included on UN ineligibility lists. This is when the risk assessment identifies evidence of direct involvement in exclusionary criteria and/or engagement in Extractive Sector[[20]](#footnote-21).
2. **Substantial risk:** these are private sector entities for which there is no evidence of ***direct*** involvement in activities relating to exclusionary criteria, but where there is evidence of controversies and/or engagement in high-risk sector.
3. **Moderate Risk:** these are private sector entities for which there is no evidence of involvement in activities relating to exclusionary criteria (direct or indirect), or significant controversies, but which are associated with a high-risk sector.
4. **Low Risk:** these are partners for which there is no evidence of involvement in any activities relating to exclusionary criteria, no evidence of controversies and no link to high-risk sectors.

## Provision of Advice on, and Quality Assurance over, the Due Diligence

In order to ensure that due diligence is conducted in a consistent and high-quality manner, and that the risk of entering into unsuitable partnerships is managed in accordance with UNDP’s risk appetite statement, UNDP operates a quality assurance mechanism over the private sector partnership due diligence process. This is aligned with UNDP’s ‘three lines of defence’ model, where the ‘second line’ provides internal technical support and oversight, assuring the application of the PSDD Policy and RAT.

The purpose of this second line review process is two-fold:

* To ensure that the appropriate due diligence process has been followed, including evidence gathering and documentation in the RAT.
* To provide advisory support to the decision maker based on the evaluation of identified risks and benefits, and the significance of evidence in the RAT towards the formulation of the decision[[21]](#footnote-22).

Table 6 shows who delivers this advice and performs this quality assurance – this is determined by the risk levels described in Section 4.4. Advisory focal points and committees exist at CO, Regional Bureau and HQ level.

**TABLE 6: Advisory and quality assurance responsibilities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Initiating Unit** | **Quality Assurance / Risk Advisories per Level of Risk[[22]](#footnote-23)** | | |
| **Low Risk** | **Moderate to Substantial Risk** | **High Risk** |
| **Country Level QA/ Risk Advisory** | CO PSDD Focal Point | CO PSDD committee | Regional PSDD Committee |
| **Regional Bureau QA/ Risk Advisory** | Regional Bureau PSDD Focal Point | Regional PSDD Committee | HQ Inter-bureau PSDD Committee |
| **Central Bureau QA/ Risk Advisory** | Central Bureaus PSDD Focal Point | HQ Inter-bureau PSDD Committee | HQ Inter-bureau PSDD Committee |

## 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, as relevant, 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. It is also important that, as with the quality assurance responsibilities, decision making is aligned with the level of risk and is aligned with the ERM policy.

Table 7 shows where decision making responsibility lies within the organization, in alignment with the level of risk.

**TABLE 7: Decision making responsibilities.**

| **Level of Risk** | **Explanation of risk level** | **Level of Decision Making** | **Explanatory notes** |
| --- | --- | --- | --- |
| **Low risk** | Partners for which there is no evidence of involvement in any activities relating to exclusionary criteria, no evidence of controversies and no link to high-risk sectors | RR for Country Level  Bureau Directors for regional and global level | Decision taken at the level of the initiating unit |
| **Moderate Risk** | Partners for which there is no evidence of involvement in activities relating to exclusionary criteria (direct or indirect), or controversies, but which is associated with a high-risk sector. | Bureau Directors for both country, regional and global level | For engagement with high-risk sector at the CO level, decision is escalated to Regional Bureau Directors. In all cases, the RAT is shared with the Risk Committee for information |
| **Substantial Risk** | Partners for which there is no evidence of direct involvement in activities relating to exclusionary criteria, but where there is evidence of controversies and/or engagement in high-risk sector | Bureau Directors | For engagement with high-risk sector at the CO level, decision is escalated to Regional Bureau Directors. In all cases, the RAT is shared with the Risk Committee for information |
| **High Risk** | Partners who are engaged in any activities that fall under the exclusionary criteria, or where there is direct evidence of involvement in extractive industries[[23]](#footnote-24). | Corporate Risk Committee | For any direct involvement in exclusionary criteria and/or engagement in extractive industries[[24]](#footnote-25) |

All decisions related to partnerships with private sector entities to which direct involvement in exclusionary criteria apply and/or which are engaged in extractive industries must be escalated to the Corporate Risk Committee. In cases where the potential partner is involved in a high-risk sector (listed on p. 6, excluding extractive industries) the Corporate Risk Committee must be aware of the potential partnership.

For all potential partners, the [AML/CFT self-certification](https://popp.undp.org/node/20606) will be submitted, confirming the entity has provided complete and accurate information, the entity is not subject to any sanctions, will comply with applicable laws and regulations to fight money laundering and terrorism financing; and that they will promptly inform UNDP of any breaches to the certification.

## Monitoring the Partnership, Managing Risk and Reporting

The frequency of the monitoring of partnerships will also be determined by the level of risk. The Partnership Initiator / Relationship Manager will conduct monitoring on the following basis:

|  |  |  |  |
| --- | --- | --- | --- |
| **Monitoring based on Risk Severity** | **Low Risk** | **Moderate to Substantial Risk** | **High Risk** |
| **Frequency** | **Annually** | **Six-monthly** | **Quarterly** |

## Spot-checking of the due diligence process

Spot checks of the due diligence process are carried out every alternate year, as part of UNDP’s ‘third line’ of defence. This will validate that the due diligence process was conducted as per the policy and related guidance and that necessary monitoring of the partner risk assessment and treatment mechanisms are operational. Regional Bureaus carry out spot-check for due diligence conducted by Country Offices. BPPS Effectiveness Group will organize an independent assessment for compliance with the due diligence policy for Regional and Central Bureaus.

## Crisis situations

In crisis settings, the quality assurance over the due diligence process, and the decision-making on which private sector partnerships to pursue with the private sector, can be made by the Relevant Bureau Director or by the Crisis Board, with the same requirement for monitoring as non-crisis settings.

**FIGURE 1 UNDP Due Diligence Policy**

[Will be developed and added to the policy in due course]

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

## 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.[[25]](#footnote-26)

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

## 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: Types of Engagement**

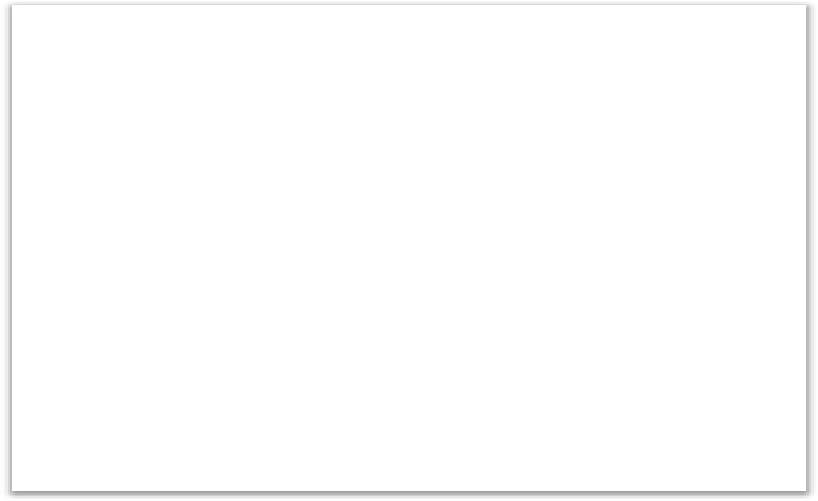
| **Partnership type** | **Purpose** | **UNDP instruments signed with the Private Sector** |
| --- | --- | --- |
| Advocacy and Policy Dialog | Influence and encourage the private sector to bring about a change in the way business is done through more responsible and sustainable approaches. | * Memorandum of Understanding * Exchange of Letters (non-financial or financial) |
| Resource Mobilization | Mobilize financial and in-kind resources from the private sector to support UNDP portfolios, programs and projects | * Financing agreements ($100,000 and above) * Pro-bono agreement * Contribution agreement (pro-bono + financing agreement) * Small Financial Contribution Agreement (less than $100,000) * Exchange of Letters (less than $100,000) * Parallel funding * Development Services Agreement * NRLA |
| Innovation challenges (prized challenges) | Innovation challenges are defined as prized challenges that Business Units (Country Offices) organize to solicit innovative ideas and solutions to address development challenges which cannot be achieved through traditional solicitation processes. | * Innovation Challenge Agreement |
| 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. | * Memorandum of Understanding * Technical assistance * Financing agreements ($100,000 and above) * Pro-bono agreement * Contribution agreement (pro-bono + financing agreement) * Small Financial Contribution Agreement (less than $100,000) * Exchange of Letters (less than $100,000) |
| 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. | * Memorandum of Understanding * Cost-sharing agreements * Statement of Intent |
| Responsible Party | Performance-Based payments (PBPs) are a type of agreement between UNDP and a responsible party to provide funding upon the verified achievement of an agreed measurable development result. No advances are provided, rather payments are made only upon the verified achievement of agreed results. This approach gives greater incentive to responsible parties to achieve results. | * Responsible Party Agreement[[26]](#footnote-27) * Performance-Based Payment Agreement |
| Crowd funding | Classy Platform | No agreement signed |

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

# Annex 2: Types of engagement with the private sector

## 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.



**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](http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/JOHANNESBURG%20DECLARATION.pdf) [Declaration](http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/JOHANNESBURG%20DECLARATION.pdf)’’ which is the first joint public-private declaration on agribusiness, food and nutrition.

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 SDGs and its successor framework post-2015;
  + Advise governments on **more appropriate regulation** and strategies to include the SDGs 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.

## Resource Mobilization

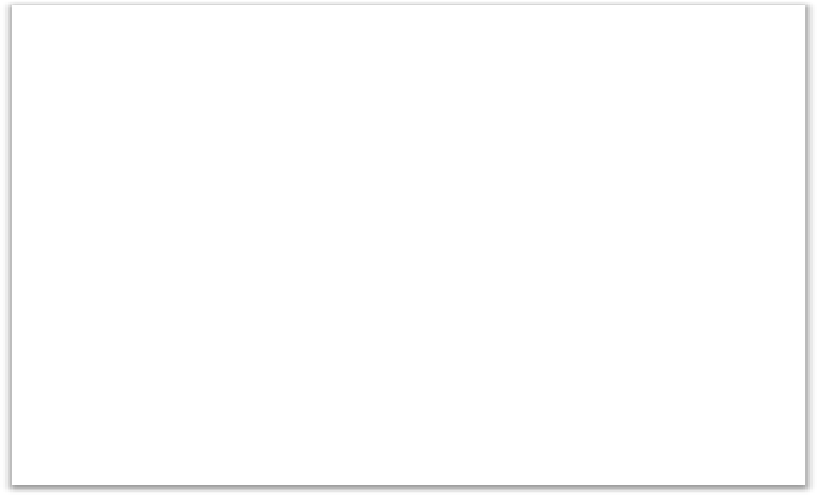
This type of partnership aims to **mobilize financial** and **in-kind resources** from the private sector to support UNDP portfolios, programs, projects and other types of partnership listed in this Policy. The private sector can provide the following resources:

* + **Financial resources**: cash donations, funding, or the co-financing of a specific UNDP project/portfolio.
  + **In-kind contributions**:

*Pro-bono services*: private sector staff donates its time and professional expertise to UNDP projects, portfolio and programs.

*Pro-bono products*: products to strengthen UNDP projects/portfolio covering the costs of utilizing these products in the project/portfolio.

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



**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.

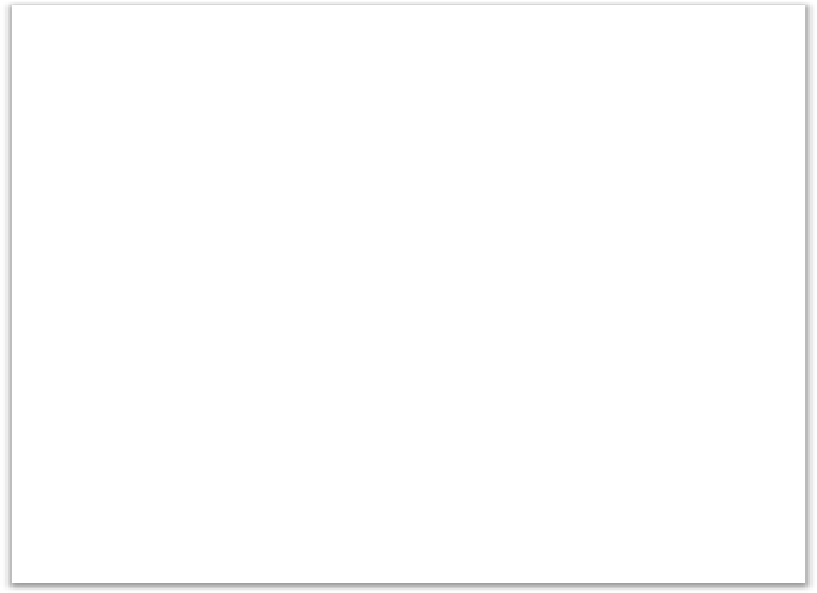
The project’s vision is to allow communities to enjoy improved access to safe drinking water while providing initiatives that promote the sustainable use of water for industrial and domestic purposes.

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).

## 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.



**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.

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

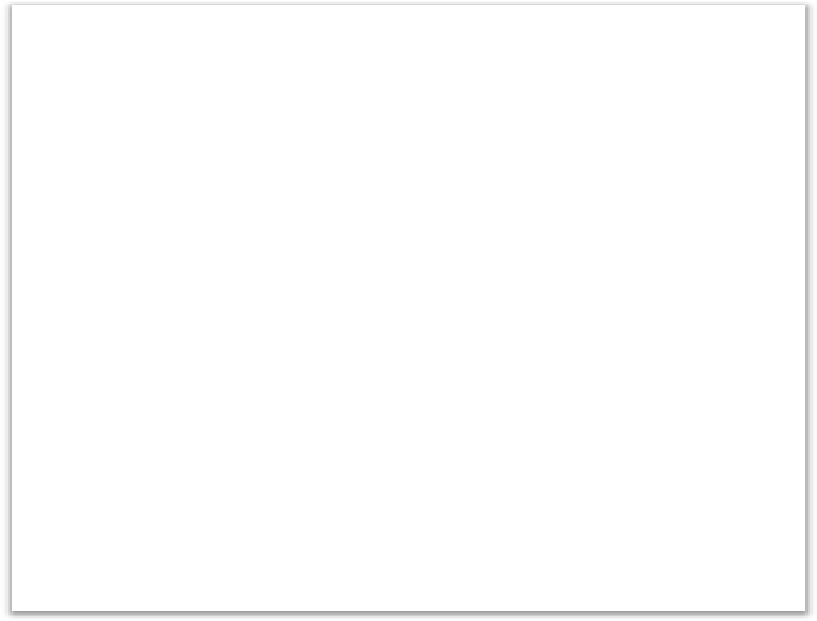
improve quality of life, but also to create significant economic growth and employment, promote small- scale entrepreneurship, strengthen supply chains, etc. Therefore, in the interests of successful innovation, this type of partnership might take elements from advocacy, core business, resource mobilization, etc.

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)[[27]](#footnote-28)**. 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).

## 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.



**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.

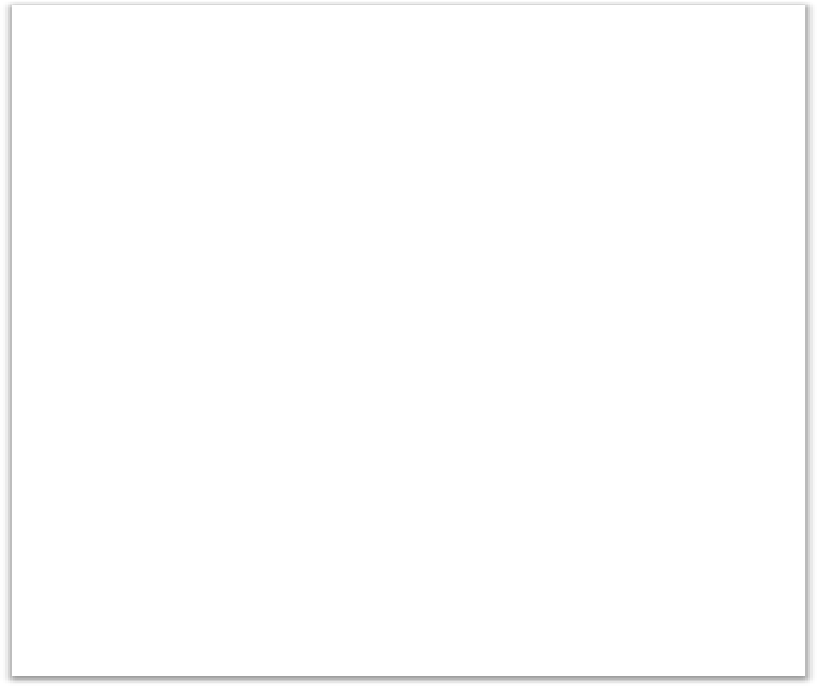
Core business tends to target improvements along the entire value chain or at key levels (such as the producer) to enhance development outcomes and improve the management of the environmental, social and governance aspects of business. In this kind of partnership, UNDP has an agreement with one or more 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:

* + 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.



**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.

## 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.

The following criteria make a partnership transformational:

* + **It should advance or address a systemic issue[[28]](#footnote-29)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

1. [Decisions adopted by the Executive Board in 2020, DP/2021/2](https://www.undp.org/sites/g/files/zskgke326/files/undp/library/corporate/Executive%20Board/2021/First-regular-session/dp2021-2e.pdf). [↑](#footnote-ref-2)
2. The Policy builds on and complements the Secretary-General’s [Guidelines on Cooperation between the United Nations and the Private Sector](https://www.un.org/en/ethics/assets/pdfs/Guidelines-on-Cooperation-with-the-Business-Sector.pdf) 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**,](https://popp.undp.org/node/11301) the **Risk Assessment Tool** and the **Risk Assessment Tool Guidelines** (2023). [↑](#footnote-ref-3)
3. Corporate 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. [↑](#footnote-ref-4)
4. 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. [↑](#footnote-ref-5)
5. 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. [↑](#footnote-ref-6)
6. See [Anti-Money Laundering and Countering the Financing of Terrorism Policy](https://popp.undp.org/node/1571) and the [Operational Guide for the UNDP AML/CFT Policy](https://popp.undp.org/node/4066) [↑](#footnote-ref-7)
7. 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 (per “UNICEF Guidelines and Manual for Working with the Business Community”). [↑](#footnote-ref-8)
8. The potential partner company has no ownership of the distributor or supplier. [↑](#footnote-ref-9)
9. And not in the UNDP cleared list, as per the [UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy](https://popp.undp.org/node/1571), para 15. [↑](#footnote-ref-10)
10. 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. <https://www.cites.org>. [↑](#footnote-ref-11)
11. As per the [UNSDG Common Approach to Due Diligence for Business Sector Partnerships](https://unsdg.un.org/sites/default/files/2020-03/Annex-1-UNSDG-Common-Approach-to-Due-Diligence.pdf), in exceptional cases, interactions may still be possible with some companies falling in the exclusionary criteria. However, exceptions would not apply for entities under exclusionary criteria 1 and 5 (under UN SC lists, or to companies primarily involved in the manufacturing or selling of weapons banned or sanctioned by UN treaties).

    An exemption may be considered:   
    (1) when the purpose of the engagement is specifically to address the issue identified as exclusionary (e.g. interaction aimed at addressing violations of human and labour rights in the supply chain, or in the workplace)  
    (2) on an ad-hoc basis when a private sector entity is proven to be the only one equipped with life-saving and/or emergency related unreplaceable technical solutions. This may happen in case of technology essential to deliver food or medicines during humanitarian operations, otherwise not available in the market. Interactions may still be considered on an ad-hoc basis when revolving around knowledge or skill transfer, provided that the relationship is not structured, not publicly promoted as a “partnership” but rather as a dialogue or an interaction.  
    Co-branding, co-investment, direct and active funding engagement, or any activity that would imply the promotion of such entities in market or with the public shall not be pursued for these categories. [↑](#footnote-ref-12)
12. [Extractive industries](C:\\Users\\dionysia.rigatou\\AppData\\Local\\Microsoft\\Windows\\INetCache\\Content.Outlook\\XWMHCQ1M\\(https:\\undp.sharepoint.com\\teams\\RSCA\\Know\\extractives\\Key Resources\\A Practitioner%E2%80%99s Guide Web.pdf?CT=1681235115596&OR=ItemsView) are operations that involve extracting raw materials (such as oil, gas, minerals) from the earth, processing them for exports, transporting, shipping as well as consuming the materials as production inputs and as final goods. Discussions are ongoing with regards to UNDP’s engagement with the extractive industry. This policy and its associated tools will be updated to take account of any subsequent decisions. [↑](#footnote-ref-13)
13. Discussions are ongoing with regards to UNSDGs and UNDP’s engagement with the extractive industry. This policy and its associated tools will be updated to take account of any implications resulting from subsequent decisions. [↑](#footnote-ref-14)
14. Ibid. [↑](#footnote-ref-15)
15. Ibid. [↑](#footnote-ref-16)
16. 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. [↑](#footnote-ref-17)
17. The WHO’s International Code of Marketing of Breast-Milk Substitutes is available at <http://www.who.int/nutrition/publications/infantfeeding/9241541601/en/> [↑](#footnote-ref-18)
18. Where **controversies or exclusionary** criteria are identified, then the ESG Policies and partnership risks and benefits section of the Risk Assessment Tool needs to be populated. [↑](#footnote-ref-19)
19. Ibid. [↑](#footnote-ref-20)
20. [Extractive industries](https://undp.sharepoint.com/teams/RSCA/Know/extractives/Key%20Resources/A%20Practitioner%E2%80%99s%20Guide%20Web.pdf?CT=1681235115596&OR=ItemsView) are operations that involve extracting raw materials (such as oil, gas, minerals) from the earth, processing them for exports, transporting, shipping as well as consuming the materials as production inputs and as final goods. Discussions are ongoing with regards to UNDP’s engagement with the extractive industry. This policy and its associated tools will be updated to take account of any implications resulting from subsequent decisions. [↑](#footnote-ref-21)
21. See UNDP Private Sector Risk Assessment Tool Guideline for more guidance. [↑](#footnote-ref-22)
22. The findings of the Risk Assessment Tool determine the level of risk associated with this partnership. [↑](#footnote-ref-23)
23. Discussions are ongoing with regards to UNDP’s engagement with the extractive industry. This policy and its associated tools will be updated to take account of any implications resulting from subsequent decisions. [↑](#footnote-ref-24)
24. Ibid. [↑](#footnote-ref-25)
25. 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 [↑](#footnote-ref-26)
26. Refer to [Select Responsible Parties and Grantees policy](https://popp.undp.org/node/1441). [↑](#footnote-ref-27)
27. 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. [↑](#footnote-ref-28)
28. 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. [↑](#footnote-ref-29)