

Private Sector Guidance Note for SGP Country Programmes (July 2021)

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1. Background & Purpose

The 2030 Agenda for Sustainable Development is unprecedented in its scope and ambition. Engagement, especially with the private sector, in addition to governments, civil society, and others, is imperative for the 2030 Agenda to succeed.

With its unparalleled reach and resource, the private sector has the capacity to be a key driver to achieve the objectives of the 2030 Agenda and in some cases is already performing this role. The GEF Small Grants Programme (SGP), implemented by UNDP can learn from experiences from others and seize the opportunity to bridge and foster partnerships between local communities and private sector entities and advocate for businesses to embrace sustainable development to achieve the 2030 Agenda and urgently address the global environmental challenges.

In 2020, SGP developed the [SGP Resource Mobilization and Partnership Strategy](#) which aims to diversify SGP’s funding sources by leveraging existing partnerships and building new ones to enhance its strategic programming and approach under its 7th Operational Phase (OP7). The implementation of this strategy is aligned to the OP7 objective: *“to promote and support community-based innovative, inclusive and impactful initiatives and foster multi-stakeholder partnerships at the local level to tackle global environmental issues in priority landscapes and seascapes”*. The SGP Resource Mobilization Strategy highlights the private sector as a key development partner in achieving the objectives of OP7 and scale up the successful initiatives of the local communities.

To compliment the SGP Resource Mobilization and Partnership Strategy, **the purpose of this guidance note is to provide the SGP country programmes with additional guidance and information on engaging and developing partnerships with the private sector.**

Aligned to the Global Environment Facility’s Private Sector Engagement Strategy and the United Nations Development Programme’s Private Sector Development and Partnerships Strategy (2018-2022), this guidance note presents a framework that can facilitate a range of partnerships between the SGP country programmes and the private sector. Moreover, it provides SGP country programmes with practical tools and resources developed by the United Nations Development Programme (UNDP) which can be adapted to the SGP context.

2. Overview of the UNDP and GEF Private Sector Strategies

Both the [UNDP's Private Sector Development and Partnership Strategy \(2018-2022\)](#) and the [GEF's Private Sector Engagement Strategy \(GEF PSES 2020\)](#) highlight the importance of systemic transformational change to achieve sustainable development and the Agenda 2030. It requires a “whole of society approach” to address the environmental and climate crises as well as growing social and economic inequalities. In this regard, the private sector has been identified as a key actor to address and accelerate changes required to create impact at scale. There are many commonalities and entry points for the SGP upon examination for these two strategies. A summary of the key pillars of each strategy are outlined below:

UNDP		GEF	
1	Unlocking private finance for the SDGs	1	Working strategically with multi-stakeholder platforms to achieve scale and impact
2	Aligning business strategies and operations with the SDGs	2	Supporting multiple private sector entry points throughout the GEF Partnership
3	Putting in place policies that foster inclusive and green economies	3	Taking a systematic approach to crowding-in the private sector

SGP’s private sector guidance note is guided by and aligned with the Private Sector Strategies of UNDP and GEF. In line with UNDP’s strategy, the SGP’s objective for engaging with the private sector is focused on: a) unlocking finance; b) promoting business strategies and operations that are environmentally, socially and economically friendly, particularly to local communities; and 3) advocating for relevant policies that foster inclusive and green economy. Following the approaches of GEF and UNDP, SGP will

be working strategically and systematically through existing multi-stakeholder platforms and entry points in close coordination with UNDP, GEF, and other partners.

3. Defining the Private Sector

The UNDP's Private Sector Development and Partnership Strategy (2018-2022) defines the private sector as below. The SGP will follow and guided by the same definition.

- a) **For-profit and commercial enterprises of any size**- these include multi-national companies; large domestic companies, micro, small and medium enterprises; cooperatives and social enterprises (including financial institutions at global, national, and sub-national levels).
- b) **Corporate foundations**- that are directly funded and/or governed by business
- c) **Business associations, coalitions, and alliances**- including chambers of commerce, employers' associations, cooperatives, industry, and cross-industry initiatives where the participants are for-profit enterprises
- d) **State owned enterprises**- which are legal entities created by governments to partake in commercial activities on their behalf. They may be wholly or partially owned by the government.

4. Private Sector Partnership Modalities

The UN defines partnerships as 'a voluntary and collaborative agreement or arrangement between various parties, 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.'
<https://sustainabledevelopment.un.org/partnerships/about>

Global, Country, and Project level Partnerships

Below illustrates possible ways that SGP could engage in private sector partnerships at different levels:

Global Level- partnerships that are initiated and managed at the global level by CPMT and/or UNDP, with implementation happening via the SGP country programmes. For example, this includes the partnership with Project 15 from Microsoft with pilot projects being implemented by SGP Panama and St. Lucia.

Country Level- partnerships that are implemented and managed at the SGP Country Programme level with private sector entities. They can be:

1. Led and managed directly by SGP, in consultation with the UNDP CO, e.g. SGP NC/NSC establishes and secures partnership with the private sector that benefits projects and initiatives at a programmatic level.
2. Led and managed by UNDP Country Office, where SGP engages mainly as delivery mechanism e.g. UNDP CO may have an existing formalized relationship with the private sector, and SGP is engaged in implementing activities on behalf of the partnership (e.g. acting as a delivery mechanism).

Project/Grantee level - partnerships that are established directly between the private sector and SGP grantees and/or SGP beneficiaries (e.g. directly with the community or grant beneficiaries) with or without SGP support.

SGP will strengthen partnerships with the private sector to scale up and co-finance successful initiatives, with an increased focus on mainstreaming SGP innovation. In addition to the grant-making activities, CSO-Government-Private Sector Policy Dialogue Platform, Knowledge Fairs and other knowledge sharing activities could be utilized to engage private sector participation. Having a representation of private sector at the SGP National Steering Committee would be also an important way to strengthen private sector engagement in SGP decision making and outreach functions.

Engagement with the private sector should be explored across all thematic areas and strategic initiatives at the programme, project, and policy levels. Building on the GEF and other financial resources, country programmes are encouraged to leverage private sector resources and highly encouraged to mobilize cash co-financing where possible. The following types of engagement and collaboration are encouraged with the private sector:

Types	Examples
Involvement in the SGP National Steering Committee	<p>Providing expert advise and outreach to private sector partners through SGP’s key governance structure.</p> <p>Country programmes are encouraged to have private sector representation on the SGP’s National Steering Committee and Technical Advisory Group. This can facilitate knowledge sharing, technical contributions to project/portfolio development advocacy and policy dialogues, networking, and resource mobilization with private sector.</p>
In-kind contributions	<p>Providing venue, food, transportation, equipment for meetings/events/activities at no cost to SGP.</p> <p>Example: Private sector allows SGP to use conference facilities and IT equipment at no cost to host a workshop.</p>
Technical assistance	<p>Providing technical support to programme/project activities for free or at reduced cost .</p> <p>Example: provision of business advisory services, environmental monitoring services, communication services, data collection and analysis services, etc.).</p>
Capacity development of grantees	<p>Providing training to grantees for free or at a reduced cost.</p> <p>Example: training in financial management, proposal writing training, communication, advocacy and outreach (including media coverage), business certification or product certification etc.</p>
Marketing of SGP causes	<p>Collaborating with SGP on marketing grantee products and services.</p>

	Example: Using private sector networks to promote the sales and advertising of SGP craft/food items/eco-tourism services.
Policy dialogue and advocacy	<p>Engaging with SGP on multi-stakeholder dialogue platforms with the aim of influencing/transforming policies and regulatory frameworks through public private partnerships e.g. greening supply chains, circular economy projects.</p> <p>SGP’s CSO-Government-Private Sector Policy and Planning Dialogue Platform could be utilized towards a greater engagement of private sector to leverage its potential to invest in projects, policy change to support sustainability at the local level.</p> <p>Influencing businesses toward sustainable practices and options that generate multiple environmental benefits e.g. greening value chains and businesses, single use plastic bans etc.</p> <p>Exploring potential opportunities for finance and technical support that can help scale up SGP innovations.</p> <p>Facilitating private sector-grantee linkages.</p>
Financial and cash contribution/opportunity to project activities	<p>Direct or parallel cash co-financing of SGP activities.</p> <p>e.g. private sector providing micro-credit, guarantee, concessional loans, and other financial opportunities to scale up the work of the grantees; private sector covering travel costs for grantees to participate at a regional event; private sector purchasing solar panels for a community project.</p>
Provision of parallel matchmaking to SGP grants	<p>Private sector provides direct cash co-financing to SGP grants.</p> <p>e.g. SGP grants USD25,000 and Coca Cola Foundation grants USD25,000 to a community project on watershed conservation.</p>

5. Process of Engaging with the Private Sector

The private sector plays important roles in the development context, including driving economic growth, enhancing livelihoods and employment, expanding access to basic goods, such as clean water, energy, housing and financial services, and providing technical expertise, technology and innovation capacities to advance the SDGs. These are entry points to consider when approaching the private sector. For SGP, many of these areas are opportunities to promote the SDGs, green/circular economy and “building forward better” agendas. This can be presented as a win-win opportunity for both SGP and the private sector.

The SGP process of engaging with the private sector generally follows the [UNDP’s Private Sector Resource Mobilization Toolkit](#) which has 4 main phases including: initiating the partnership, mapping and planning, formalizing, and managing the partnership. SGP has adapted the toolkit to the SGP context as outlined in the steps below.

Phase 1- Planning and initiating a partnership

Mapping- In line with the SGP resource mobilization strategy, country programmes are requested to conduct a donor/partnership mapping exercise to identify potential in-country donors and private sector

partners, and to develop your own resource mobilization and partnership strategy in collaboration with the NSC and aligned to the Country Programme Strategy. Out of this exercise, a 'short- list' of private sector entities can be identified for further engagement. A Country Resource Mobilization and Partnership Strategy should be developed in consultation with the UNDP CO and shared with SGP CPMT.

Identifying your country programme's value proposition- SGP relationship with private sector should be built on strong relationship with existing donors, in-country partners, and stakeholders. When planning engagement with the private sector it is important to highlight SGP's unique strengths and ability to deliver results on the ground with local communities. Areas for synergies and shared principles should be identified, and the mutual gains and benefits of the partnership to both SGP (our grantees and beneficiaries) and the private sector should be clearly articulated. The SGP resource mobilization strategy identifies some of SGP's "unique selling points/ value proposition" as follows:

- a) The programme's longevity, scale and expertise
- b) Fund multiplier
- c) A 'bridge' and an 'honest broker'
- d) Trusted grant-making mechanism
- e) Champion for community-based engagement for the SDGs
- f) Direct action and social inclusion
- g) Risk taking, innovation and scale-up
- h) Creating transformative local leadership
- i) Clear, transparent and participatory decision-making
- j) Effective knowledge sharing

It is also advised to identify key achievements and results of the SGP Country programme and use these to highlight the programme's strengths. For example, are there award winning/nationally recognised projects in the portfolio? Do you have strong knowledge management products (publications, brochures, videos) to help communicate the value proposition?

Making contact- Partnership ideas should be discussed with your CPMT Regional Focal Point, the NSC and the UNDP CO before engaging with the private sector. Initial meetings and discussions can be facilitated via the UNDP CO, GEF, or through NSC members with links to specific private sector entities. National Coordinators can also reach out directly to partners and request initial conversations and discussions. Taking potential partners on site visits to SGP projects or inviting them to key SGP events (Knowledge Fairs, project launches) can also help develop the relationship and promote interest to the partner. By giving them the opportunity to interact with the grantees, community, and project beneficiaries, they can experience the benefits and impacts of the programme first-hand.

Nurturing/Building the relationship- Once a potential partner expresses interest in working with SGP, it may take a while before any informal/formal partnership arrangement/agreement are established. This is where patience and persistence are both required. Sometimes partnerships may begin as in-kind/informal and over time can evolve into engagements that are substantive and more formal. In some cases, the private sector may be cautious to engage with stakeholders that they have no prior experience with, and may prefer to take a phased approach to the partnership. It is important to be aware of the possible challenges and take a flexible and adaptive approach when engaging the private sector.

Managing expectations- From the onset of engagement it is important to manage partnership expectations for all stakeholders involved- this includes the SGP, UNDP CO, grantees and local community and the private sector. Expectations should be realistic and practical for all stakeholders involved.

Key considerations in engaging with private sector:

Determine if the private sector is compatible with UN and SGP values. Their contributions to social, environmental, and/or charitable causes should be considered.

Are there relevant existing private sector partnership(s), including with other UN agencies and programmes, or with civil society organizations (CSOs) at the local, regional, or global levels? **Reaching out first to CPMT, UNDP CO**, or the [UNDP's Finance Sector Hub](#) (FSH) can help inform of any current or previous stakeholder engagement across UNDP with the proposed partner.

It is recommended to learn as much as possible about the private sector before initiating contact, including key investors, regional coverage, targets they might have under the SDGs, and whether they have a sustainability or integrated report that can show environmental and social performance.

Be patient- this phase may take time and relationships will need to be nurtured and strengthened before any formal partnerships are established.

The private sector may have untapped partners in your region that can be opportunities for SGP- be sure to explore these possibilities as well in your initial discussions.

Important Note: SGP cannot provide direct funding to private sector entities.

Key Considerations: Social and Cultural Sensitivities

As SGP works with a diverse range of vulnerable stakeholders and beneficiaries including women, youth, indigenous peoples, persons with disabilities, , it is important to keep social and cultural sensitivities in mind when engaging in activities and initiatives with the private sector. Engagements should be guided by the [UNDP's Social and Environmental Safeguards and Standards](#). If grantees or the community expresses any concerns or hesitations towards the engagement, these should be discussed and addressed early on (Phase 1 and 2) prior to further engagements. See the Risk Management section in Annex 3 for more guidance.

Phase 2- Formalising the partnership

All partnerships with the private sector that involves cash transactions should enter into a formalized agreement with either UNDP Country Office or the SGP grantee directly, and in some cases with UNDP headquarters (using an appropriate instrument).

Partnerships are encouraged to be made directly between the private sector and the grantee organisations as appropriate. These types of project level co-financing can be managed by the grantee with the guidance and support from SGP. In these cases, grantees should be encouraged to use formal grant agreements, letters of intent, or memorandum of understanding where applicable, particularly considering grantee capacity and private sector requirements.

Note that SGP is not a legal entity and cannot enter into an official agreement, or sign MOUs with any private sector partner. Thus, it is crucial to consult with CPMT and UNDP CO before formalising any partnership. Due diligence decision must be made before any agreement is signed with private sector partners.

During this phase the terms, conditions, duration etc. of the partnership should be clearly defined. Partnerships can be formalized using UNDP [standard templates](#) as listed below. Engagement between SGP Country Programme and the private sector should be guided by the UNDP CO procedures.

UNDP Instrument	Detail
Letters of Intent	Letters of Intent or non-binding partnership letters can be useful for in-kind, technical support contributions from the private sector.
Memorandum of Understanding Financing Agreements	For partnerships involving financial contributions, MOUs may be needed. The Standard Financing Template Agreement is recommended, based on the size of the contribution and reporting requirements. Private sector standard financing template options include: i) Financing Template for contributions exceeding US\$ 100,000; ii) Financing Template for contributions less than US \$ 100,000; iii) Exchange of Letters (EOL 1 and EOL 2), for contributions under 100k without reporting. UNDP Low value grant agreements can also be used to formalize partnerships as relevant for grant agreement that are less than XXX. Consult with UNDP CO for more guidance.
Comprehensive Financing/Pro bono agreement	Applicable for partnerships that involve both pro bono as well as financial contributions, the standard comprehensive agreement for goods, services and/or incidental expenses, as well as other financial contributions.
Pro Bono Agreement	Applicable for partnerships involving in-kind contributions of goods and/or services that are donated for free and at no cost to SGP or UNDP. Valuation and reporting of pro bono contributions must be done in accordance with the United Nations System Accounting Standards.
Development services	Development services comprise development assistance provided to development partners as recipients of services by UNDP in its role as an implementing partner. The policy applies for development services to non-UN and non-IFI IGOs, Private Sector Entities, and CSOs/NGOs.

Phase 3- Managing the partnership

In this phase, SGP Country programmes can deepen the engagement with the private sector by thoughtfully managing risks, facilitating transparency, and following defined accountability and results frameworks, including non-disclosure agreement between the private sector and SGP Country Programme/Grantee.

Managing stakeholders and relationships- SGP Country Programmes are advised to work closely with the UNDP CO to manage private sector partnership once established. The UNDP RR/ or senior management

should be appraised of ongoing engagement with the private sector. The SGP NSC can also help manage the relations, expectations, and engagement with the private sector, as well as assist with monitoring and evaluation.

Communicating- When communicating with and reporting to the private sector on results and progress, make sure to use language that the partner is able to relate to, and ensure that the results are presented in a way that makes internal sharing easier for them. Regularly sharing fact sheets, videos, publications, articles, and newsletters can help make communication easier. Inviting the private sector to site visits, important project events and meetings can also strengthen the relationship and give them good visibility.

Branding- In addition to adhering to [SGP's communication and branding guidelines](#) , it is important to understand the policies on the use of the [UN name and logo](#). Some private sector companies may also have specific branding guidelines on the use of their logo. This should also be discussed and clarified during Phase 1 and 2. Also consult the UNDP CO and CPMT should any additional clarification be required.

Monitoring & evaluation- All partnership agreement should include a M&E plan to enable effective review of progress and results. The SGP NC and/or CSO project manager, in collaboration with the NSC, should prepare a monitoring plan, especially if there are specific conditions set for the partnership. The plan will need to be regularly assessed to determine if all stakeholders are meeting the conditions agreed upon. Regularly scan publicly available information and informal intelligence systems for new controversies surrounding the private sector entity or its industry. Any significant issues that might cause potential damages should be escalated to UNDP CO and CPMT. Work with the UNDP CO to record significant issues in the [Private Sector Due Diligence Database](#).

Scaling up- Private sector partnerships may be used as opportunities to scale up SGP's innovation and successful approaches and tools with local communities. These partnerships can be utilized as springboards to larger project funding and impacts. Over the years, the SGP country programmes have already contributed to the upscaling of good practices through its linkages with, and contribution to the development of GEF medium and full-sized projects by UNDP and other agencies that build on SGP experience. Another aspect that helped in promoting the replication and up-scaling of good practices at the local level are SGP projects that become demonstration sites of innovative methodologies or technologies and where other communities, government officials and private sector companies learn from these experiences. For example, SGP country programmes can piggyback to larger projects or country programme-level initiatives that have existing private sector partnerships. Please also refer to Annex A for examples of on-going national initiatives at UNDP that can be used as entry points.

6. SGP and Micro, Small, and Medium Enterprise

The SGP has provided small grants/seed funding to community-based projects that address concrete global environmental benefits and also generate socio-economic and livelihood benefits. The funding from SGP has created opportunities for beneficiaries in establishing micro, small, and medium enterprises (MSMEs) or improved their capacity to do so. As already mentioned, **the private sector cannot receive funding from UNDP, including SGP. Since MSMEs are considered as private sector, the SGP cannot directly fund MSMEs.** As such, this section presents how the SGP can support for MSME development and engagement.

A. Support for potential MSMEs

The SGP has provided grants or seed funding to projects that opened up opportunities for the beneficiaries to establish MSMEs. Building on the seed funding, the SGP can support MSME development through providing support for relevant tools and training. These training sessions can be held for SGP staff, local communities, and partners. Some examples include [Green Entrepreneurship](#) and [Sustainable commodity supply chains](#) from the [UNDP Learning for Nature](#). More details on these are available in Annex 2.

B. Support for established MSMEs

In many SGP country programmes, the grants or seed funding provided by the SGP has created opportunities for beneficiaries to formally establish MSMEs, allowing them to transition from informal to formal economies. Since UNDP and SGP cannot directly fund MSMEs, SGP support can build on its small grants/seed funding by brokering engagements (playing a Grantmakers Plus role) with private sector and the beneficiaries. Some examples include:

1. Promote/facilitate linkages between interested local community partners with national programmes and initiatives on MSME development, such as [UNDP Green Commodities Programme](#) (TBD by CPMT and GCP), [Inclusive Business Ecosystem Initiative \(IBEI\)](#) (trainings are conducted for country offices), [UNDP Accelerator Lab](#) and [UNDP Youth Co-Lab](#). More details on these are available in Annex 1.
2. Promote/facilitate linkage between MSMEs with relevant larger private sector partner to further promote innovation, investment, and marketing.
3. Promote/facilitate linkages to micro-credit institutions. SGP could promote sustainable livelihoods, including through collaboration with local micro-financing entities the creation and support of MSMEs at the local and community level that contribute to sustainable resource use, generate local benefits, and promote innovative and entrepreneurial approaches to environmental degradation. Building on experiences with micro-credit in a number of SGP Country Programmes, in addition to the conventional grant modality, appropriate and context-specific opportunities would be explored as a pilot initiative in a limited scale, partnering with existing programs and supporting relevant CSOs and institutions that provide soft loans to small-scale initiatives

ANNEXES

Annex 1: On-going National Initiatives at UNDP

As previously noted in section ‘Phase 4, 5. Scaling Up’, SGP country programmes may scale up or expand private sector engagement by using existing SGP project-level grants as a springboard to leverage/partner with larger project funding or country programme-level partnerships. While CPMT will further explore opportunities to collaborate and partner with relevant initiatives and programmes at the global level, there are many on-going national projects and/or initiatives that can provide SGP Country Programmes with entry points to private sector engagement and potential partnerships. Some examples are provided below:

I. UNDP Green Commodities Programme

The UNDP Green Commodities Programme acts as a catalyst of mid to long-term national, structural and systemic commodity sector changes in support of sustainable agriculture. It exists to improve the national, economic, social and environmental performance of agricultural commodity sectors. Recognizing the importance of global agricultural commodities in achieving the SDGs, the GCP’s mission is to (i) improve the lives of farmers and their communities; and (ii) protect high conservation value forest and important vulnerable ecosystems. *The GCP is implemented in 12 countries (Costa Rica, Cote d’Ivoire, Dominican Republic, Ecuador, Ghana, Indonesia, Liberia, Mongolia, Papua New Guinea, Paraguay, Peru, and Philippines).*

The GCP has several initiatives including:

- a. Global Sustainable Supply Chains for Marine Commodities (GMC) project – contributes to transforming the seafood market that follows our Multi-stakeholder Collaboration for Systemic Change approach.
- b. Good Growth Partnership - unites forces with several partners to connect change at the national level with efforts to place sustainability at the heart of global supply chains for beef, soy and palm oil.
- c. Value Beyond Value Chains - engages major private sector players in working beyond their own supply chains to realize more far-reaching positive change.
- d. From Commitment to Action - building roadmaps for three different countries to outline the key set of actions through which these countries should work towards its deforestation commitments.

Issues to consider:

1. While the GCP is implemented in only 12 countries, SGP Country Programmes could research other similar initiatives that they can build on/partner with.
2. It is important to note that most private sector companies focus on impact investment. In impact investment, there are challenges called the “**missing middle**”. Once a small business has received seed capital or microcredits for start-up activities, they often stagnate after this as they require more funds to proceed. In this situation, they have graduated from microcredits but are still too

small for private capital or bank loans, and therefore, are stuck. There are not a lot of investors in the “missing middle” as those investments do not provide sufficient return on investment (ROI), especially with the cumbersome due diligence activities required on their part.

3. Applying impact investment into the SGP context, the seed capital may be the small grants or any microcredits. However, small farmer organizations and other MSME’s that the SGP support may not have the absorptive capacity for the amount of private capital that investors are willing to invest to maximize their ROI (e.g. USD 10 million). At the same time, the small businesses may not be able to supply the quantities demanded by the private companies (e.g. a supermarket wants 5,000 orders of an agricultural product and SMEs can only supply 50 orders).
4. Against this backdrop, SGP Country Programmes may want to consider different options in **increasing the capacity of small farmer organizations and other SME’s they support to be included in the value (or supply) chain**. Some options are:
 - a. **Applying a landscape approach**. This could be at the district, regional and/or national levels.
 - b. Recommending small businesses to organize themselves into bigger groups such as cooperatives, associations, etc. This would allow them to aggregate their products and meet the quantities demanded by private sector. This could also reduce costs and pool resources for operational costs such as certification, commodity transparency and others.

II. [Inclusive Business Ecosystem Initiative \(IBEI\) – Finance Sector Hub \(Istanbul Hub\) and Inclusive Growth and Sustainable Development Cluster \(IGSD\) Private Sector Unit \(Addis Ababa\)](#)

UNDP’s engagement in private sector development is underpinned by the Inclusive Business Ecosystem Initiative (IBEI), whereby UNDP’s primary role is to initiate, convene and connect stakeholders as well as to catalyse action. An inclusive business is a business that while keeping its for-profit nature, integrates poor people, who are at the base of the pyramid (BoP), the value chain of companies’ core business as suppliers, producers, distributors, retailers, or customers. As such, an inclusive business model contributes to poverty reduction and the 2030 SDG Agenda.

What is inclusive business?

Inclusive businesses include low-income people on the demand side as customers, and on the supply side as employees, producers and entrepreneurs serving at various points within the value chain. They build bridges between business and the poor for mutual benefit.

Source: [UNDP \(2008\) Creating Value for All](#)

Common barriers why low-income people remain excluded from these value chains:

Living in poverty creates a vicious cycle of exclusion. Urban slums and rural villages often lack the infrastructure that allows companies easy access. Low-income people rely mainly on informal rules and norms, making it complicated for businesses to close and enforce contracts. They usually conduct all

business in cash, have low and irregular incomes, and have little access to credit, which makes larger expenses hard to finance and transfers expensive. People in these contexts are often illiterate or have not benefited from extended education and training, which complicates both marketing and employment efforts. Villages in particular can be hard to reach, with poor roads that may be closed during certain times of the year. Little information is available about the needs, preferences, incomes and spending patterns of those people living at the BoP. Moreover, women experience higher rates of poverty than men. Women tend to be more vulnerable and less able to emerge from poverty because of their social status in some cultures. The socially or culturally determined roles and responsibilities of women may increase the likelihood of them not having their own income and the inequality in the division of unpaid care work¹.

Overall, the dense network of service providers – from market research to logistics and advertisement – that makes business buzz in high-end markets, is largely absent at the lower end of markets. It is also important to note that, according to the GEF, agency partners find it much harder to service this sector, noting that it takes more time and resources to service this sector. GEF agencies also report that they reach cooperatives, aggregators, and traders by working with them directly through lower-cost practices and technology rather than increased access to finance.



The IGSD Private Sector Unit has developed an IBEL training programme targeted at UNDP Country Office staff members and partners from government, private sector, civil society, amongst others. The training introduces the core concepts and rationale behind building IBELs and discusses the phases of their implementation. The [Training Handbook](#) is a guide for the implementation of the training programme, which can be employed at country level as well as on a regional or international level.

Issues to consider:

1. It is important to note that services from IBEL and other UNDP units are based on requests from UNDP COs. SGP Country Programmes could collaborate with UNDP COs to garner information and the schedule of webinars and training sessions from IBEL.
2. These collaboration and webinars also serve as a platform for SGP Country Programmes to network with the private sector.
3. These webinars may be supplemented by other UNDP services such as the Accelerator Labs. [UNDP Accelerator Labs](#) employ a bottoms-up approach, facilitating grassroots innovation to tackle development challenges in different country contexts. The innovation and learning cycles include sensing, solutions mapping and collective intelligence, and experimentation and scaling.

While the UNDP Accelerator Labs are not business incubators, they have often served as such in part. For example, in one country, the Accelerator Lab supported the establishment of an online

¹ [UN Women and the World Bank: Data analysis on women and poverty](#)

ordering platform connecting MSMEs with the world of internet shopping. Thereby, UNDP provided some financial assistance for advertising, while the company running the online ordering platform shouldered the other costs in enabling the street-side vendors to sell through the e-commerce platform.

Annex 2: Tools and Training for MSME Support

Inclusive businesses need a supportive environment to overcome the challenging market conditions characteristic of low-income communities. While enterprises are the drivers of inclusive businesses, entrepreneurship is required for all societal actors if the surrounding ecosystems are to be developed. Local support institutions are largely absent and building them will make it considerably easier for inclusive businesses to flourish. UNDP provides entrepreneurship courses and has entrepreneurship initiatives. Some examples include:

I. The [UNDP Learning for Nature](#), implemented by the UNDP Equator Initiative team, provides an array of courses.

a. [Green Entrepreneurship](#)

This training provides opportunities for communities to transition from informal economies to formal economies. It offers a step-by-step framework for transforming a green business idea into a viable business plan. It will provide the tools needed to generate, test, and refine an idea for a green business, together with successful examples of green entrepreneurs' paths from business ideas to value-generating, market-fit solutions. This course is being re-offered in September 2021.

b. [Sustainable commodity supply chains](#)

This course introduces the concept of sustainable commodity supply chains (SCSC). It will also support stakeholders in identifying how SCSC principles can be integrated into biodiversity and development planning and implementation in order to mainstream conservation values into key production sectors.

II. [UNDP Youth Co-Lab](#)

The UNDP Youth Co-Lab is a partnership initiative between UNDP and Citi Foundation. It aims to establish a common agenda for countries in the Asia-Pacific region to empower and invest in youth, so that they can accelerate the implementation of the Sustainable Development Goals (SDGs) through leadership, social innovation, and entrepreneurship. It directly supports youth entrepreneurship to lead new solutions towards SDGs and to strengthen the entrepreneurship ecosystem and policy environment, it works with governments, civil society, and private sector.

Annex 3: Risk Management

Risks are managed throughout the various phases of the partnership. The UNDP [Policy on Risk Management for Partnerships with the Private Sector](#) ensures foresight and risk informed decisions in the development and management of private sector partnerships. It sets out UNDP's criteria for assessing and selecting private sector partners, weighing benefits and risks of partnerships; and systems to support risk management and risk informed decision-making. UNDP and SGP seeks to partner with private sector entities that are committed to core UN values and UN causes.

Management of risks is a requirement for all private sector partnerships and should be conducted throughout the lifecycle of the partnership. Outlined below are the key steps for risk management during the entire lifecycle of the partnership:

- 1. Establishing the Scope and Context of the Partnership-** UNDP's engagement with the private sector must enable SGP/UNDP to adhere to UN guiding principles and remain unbiased, while supporting its overall goals and objectives. Private sector partnerships should be strategic given the contextual opportunities and needs. Partnerships must be guided by the overarching principles for partnerships and [UNDP's Social and Environmental Safeguards and Standards](#), and should be informed by the specific context, geographic or otherwise.
- 2. Conducting a Risk Assessment of the Proposed Partner and Partnership-** Private sector due diligence is conducted as early as possible to inform the decision on whether to engage, or refrain from engaging, in a private sector partnership.
- 3. Identifying and Implementing Risk Treatment Measures-** When risks are identified, risk treatment measures need to be put in place and also captured in the due diligence to inform decision making.
- 4. Monitoring and Review-** During implementation, regular monitoring and review of the partnership, the partner and the implementation of the risk treatment strategy are required. This includes updates of the private sector due diligence and relevant Risk Register no less than once a year for the duration of the partnership.
- 5. Recording and Reporting of Risks and Treatment Measures-** Risks and status of treatment measures must be regularly recorded in the relevant Risk Register and included in programme and/or project reporting.
- 6. Communication and Consultation with Key Stakeholders-** Communication and consultation with key internal and external stakeholders must takes place at regular/planned intervals to inform risk identification, assessment, treatment, decision-making, monitoring, reporting and review.

Annex 4. Additional Resources:

[SGP Resource Mobilization Strategy](#)

[UNDP's Private Sector Development and Partnership Strategy \(2018-2022\)](#)

[GEF Private Sector Engagement Strategy \(2020\)](#)

[OP7 Guidance Note- CSO-Government-Private Sector Policy and Planning Dialogue Platforms](#)

UNDP Tools and Training

- UNDP Toolkit: <https://undp.sharepoint.com/teams/psrm/SitePages/MappingandPlanning.aspx>
- [FAQ](#)
- [Webinar](#)
- Due Diligence [Database](#)
- Private Sector [Agreements Templates](#)

UNDP POPP Partnerships- Private Sector Resources

- [POPP general information on private sector partnerships](#)
- [Policy for Due Diligence and Partnerships with the Private Sector](#)
- [Risk Assessment Tool Guidelines](#)
- [Risk Assessment Tool](#)