New Due Diligence Policy to work with the Private Sector

The following is the main structure of the new due diligence policy, procedures and tools.

Guiding principles: Partner eligibility criteria and shared values; Mutual focus on delivering common development results; Impartiality and transparency; Non-exclusivity and no unfair advantage; Cost-effectiveness; Shared risk and benefits, and clearly defined roles and responsibilities

Partnership definition: Partnerships are "a voluntary and collaborative agreement or arrangement between one or more parts of the UN system and the private sector, 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."[1]

Types of Partnership:

Partnership type	Purpose	UNDP instruments
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.	• MoU • Cost-sharing agreements
Resource Mobilization	Mobilize financial and in-kind resources from the private sector to support UNDP programs and projects	• MoU • Cost-sharing agreements • Pro-bono • Small grants/contributions agreements
Innovations	Develop and deploy innovative solutions for the provision of basic needs of low-income and disadvantaged communities in order to promote sustainable growth.	• MoU
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.	• MoU • Technical assistance • Cost-sharing agreements • Small contribution agreements
Transformational Partnerships	Multi-stakeholder and multi-dimensional partnerships that leverage each partner's core competencies and are set up to address a systemic issue on a broad scale.	• MoU • Cost-sharing agreements • Letter of intent

[1] This definition was stressed by the United Nations General Assembly in resolution 62/211 of 19 December 2007

Assessing the Risk for UNDP

Exclusionary Criteria

UNDP has defined a set of exclusionary criteria outlining those business practices considered unacceptable to the organization. This list includes issues widely viewed as being unacceptable, such as human right violations. However, it also includes issues or sectors that might be considered by sections of the general public as legitimate (e.g. production of defense equipment), but from which UNDP has decided to refrain as they are not in line with the organization's values. The application of the exclusionary criteria will determine to a large extent the perception the general public has of UNDP. All partnerships, no matter how limited in nature they are, should therefore be screened against these criteria. The table below contains UNDP's exclusionary criteria:

Violation or complicity in human rights abuses, including the rights of indigenous peoples
Use or toleration of forced or compulsory labor
Use or toleration of the worst forms of child labor
Involvement in the manufacture, sale or distribution of any armaments, and/or weapons or their components, and replica weapons marketed to children
Violations of UN sanctions and the relevant conventions, treaties, and resolutions, and inclusion in UN ineligibility lists
Manufacture, sale or distribution of tobacco or tobacco products
Manufacture, sale or distribution of alcohol (except wine and beer)
Involvement in the manufacture, sale and distribution of pornography
Manufacture, sale or distribution of pharmaceuticals, pesticides/herbicides, asbestos, ozone-depleting substances and persistent organic pollutants subject to international bans or phase-outs, and wildlife or products regulated under the CITES

High Risk Sectors, which demand a higher level of due diligence

As a general rule, for UNDP social development projects the following sectors should be treated with particular caution and therefore require a higher degree of due diligence.

Oil and gas: extraction of oil and gas (including oil sands); manufacture of refined petroleum products; transport via pipeline.

Metals and mining: mining (incl. coal, diamonds and other precious and semiprecious stones, metals, uranium, etc.), manufacture of basic iron, steel, non-ferrous metals, precious metals; casting of metals; treatment and coating of metals; quarrying.
Utilities: electric power generation from large dams, nuclear power plants, fossil-fuel power plants (e.g. gas and coal-fired); electric power transmission and distribution; water collection, treatment and supply; sewerage; waste treatment and disposal; materials recovery (recycling).
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 oil palm 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.
Chemicals: manufacture of basic chemicals, pharmaceuticals, petrochemicals, agrochemicals, pesticides, fertilizers, plastics, paints, varnishes, coatings, detergents and toiletries.
Gambling: both bricks-and-mortar and online businesses offering gaming, betting, and lotteries (other than lotteries with charitable objectives).
Personal and household goods: clothing, toys and consumer electronics (risks are due mostly to issues in the supply chain).

Decision making on a partnership:

COs will have the authority together with RBx to conduct and make decisions on a relationship with the private sector and enter its due diligence into a database and inform NY HQ, via IDAC at BERA. However, there will be cases, where the decision making process will need to be escalated to HQ for decision, see below a graph exploring these cases:

Some types of partnership will always need to be escalated to HQ. These are partnerships related to exclusionary criteria (assuming the partnership has the potential to address the issue related to exclusionary criteria) or to a high-risk sector, those that involve significant controversies, and those involving multinationals operating in different countries/regions. The initiating unit may, of course, also decide to escalate a partnership if he or she faces uncertainty or a difficult call. If escalation is required, the initiating unit will provide HQ with all the necessary information and with a recommendation on why he or she thinks that the partnership is worth pursuing. Based on the information received from the initiating unit, HQ will issue a decision concerning the partnership. Figure 1 below summarizes the escalation requirements: