

A GUIDE TO PARTNERING WITH THE PRIVATE SECTOR

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Acronyms and Abbreviations

ACCA	Association of Chartered Certified Accountant
APMO	Associate Programme Ma
COVID-19	Coronavirus disease 2019
CSR	Corporate Social Responsibility
DJSI	Dow Jones Sustainability Indices
ESG	Environmental, Social and Corporate Governance
IBI	IBI Group
ICT	Information Communication Technology
LBRP	Lebanon Bottle Recovery Project
LGRP	The Lebanon Glass Recovery Project
MEAs	Multilateral Environmental Agreements
MENA	Middle East and North Africa
OHCHR	Office of the High Commissioner for Human Rights
PMO	Programme Management Officer
PS	Private Sector
PSP	Private Sector Partnership
RBB	Ras Beirut Btefroz
ROGP	Rejects of Glass and Plastics
RVMs	Reverse Vending Machines
SDGs	Sustainable Development Goals
UN	United Nations
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGC	UN Global Compact
UN-Habitat	United Nations Human Settlements Programme
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
USD	United States Dollar
WFP	World Food Programme
WHO	World Health Organisation

Foreword



Cities across the world are growing at an unprecedented rate with over 56.2% of the global population now living in cities. For example, in 1950, less than 20% of the population in Africa and Asia lived in urban areas, a number that has more than doubled in both regions. The number of people living in urban areas is projected to increase to almost 70% by 2050 with Sub-Saharan Africa and South Asia experiencing the highest level of growth in urban migration. Many cities across the world, particularly those in emerging markets, lack the infrastructure and resources to sustainably support their urban population. In addition to this, urban areas are significant contributors to climate change, and they account for over 75% of CO₂ emissions. The lack of resources to support the growing urban population coupled with the impact of climate change exposes cities to a wide set of challenges including, the growth of slums, poor air quality, lack of clean water, and other damaging effects to natural ecosystems and human health. Urbanization comes with significant demands for resources, infrastructure, and jobs that governments cannot address on their own.

Given this, a multi-stakeholder approach is needed to address the four key challenges identified by UN-Habitat for the current scenario i.e., COVID-19, Climate, Crisis and localizing the SDGs.

Recent estimates also put the global annual municipal infrastructure funding gap over US\$3.2 trillion. While there are several factors contributing to the gap, one of the primary obstacles relates to the lack of investment-ready projects. Local governments in low and middle-income countries often lack the funding and institutional/technical capacity required to ensure that project preparation is performed according to international standards and the requirements of international financial institutions or potential investors. There is significant global private capital available not only for bridging this gap if projects are developed properly and are considered bankable by investors/lenders, but also for supporting implementation financing to boost sustainable development and address rapid urbanization. This approach fosters a radical paradigm shift from the traditional **granting** model of funding development to a **financing** approach that ensures that urban development is both sustainable and scalable.

Therefore, UN-Habitat needs to work more closely with the private sector to not only fill existing gaps but also by tapping into the expertise and networks of businesses to advance sustainable urbanization.

A handwritten signature in black ink, appearing to read 'Maimunah', with a long horizontal line extending to the right.

Maimunah Mohd Sharif

Under-Secretary-General and Executive Director
United Nations Settlements Programme

Overview

This document is an updated guide that aims at facilitating UN-Habitat engagement in the creation of strategic partnerships with the Private Sector.

It is an update to the original 2011 version.

Chapter 1 defines the key terms applied with Private Sector engagement in the UN-Habitat context.

Chapter 2 gives an update on the role of Private Sector in Sustainable Urbanisation, in line with the repositioned and reformed UN-Habitat.

Chapter 3 gives an update on how UN-Habitat can position itself to optimize the benefits derived from Private Sector Engagement

Chapter 4 outlines the practical process on how a UN-Habitat Unit can initiate and formalize partnership with a Private Sector entity

Chapter 5 identifies the current challenges and solutions to better engagement with the Private Sector.

Attached with this guide is the legal framework and templates to facilitate engagement with Private Sector entities in various jurisdictions.

In accordance with these guidelines, UN-Habitat will publish annually a report on the receipt of private sector contributions.

Chapter 1: What is the Private Sector?

UN-Habitat recognizes six key categories of partnerships including civil society organizations, foundations, governments, Habitat's professionals' forum, private sector, and UN agencies. For the purposes of this brief, the private sector will be defined as per the *2009 UN Guidelines on Cooperation between the United Nations and the Business Sector* to include:

- For-profit and commercial businesses
- Business networks, associations, and coalitions
- Corporate philanthropic foundations

Furthermore, the UN General Assembly Resolution, A/RES/60/215 defined partnerships as 'voluntary and collaborative relationships between various parties, both public and non-public, in which all participants agree to work together to achieve a common purpose or undertake a specific task and as mutually agreed, to share risks and responsibilities, resources and benefits.'

Chapter 2: Understanding UN-Habitat's Mandate and Vision in the context of Private Sector Engagement

What is the role of Private Sector in Sustainable Urban Development?

Cities and communities need to revisit the way they plan, finance, develop, govern, and manage cities and human settlements, recognizing sustainable urban and development as essential to the achievement of sustainable development and prosperity for all. This is a commitment underlined in the New Urban Agenda, as we work towards an urban paradigm shift.

To do this, financing mechanisms are an indispensable. Public authorities need to deploy an increasingly diverse set of financing frameworks and instruments, including blended finance, impact investment, public-private partnerships, property taxation, land value capture and bond issuances.

The private sector is a valuable resource to support the deployment of these instruments to financing sustainable urban development.

When coupled with the value-based approach of the United Nations, the collaboration with the private sector ensures that urban development is created, localised, sustained, and scaled up in an inclusive manner.

Why should UN-Habitat engage with the Private Sector?

UN-Habitat has developed a resource mobilization strategy whose goal is to generate sufficient, predictable, long-term funding to support Member States and Local Governments to implement to the New Urban Agenda and urban-related SDGs by tapping into a diversified donor base. Additionally, UN-Habitat hopes to build strategic partnerships modelled around innovative structures such as shared value partnerships, multi-stakeholder solutions, and digital engagement to drive large-scale high-impact programs.

To achieve this, UN-Habitat is launching a process to develop a forward-looking private sector strategy. The strategy will focus on UN-Habitat's role in partnering with the private sector to improve the long-term financial sustainability of the organization and to mobilize co-investments to deliver on the objectives of the organizational strategic plan.

The purpose of the private sector strategy is to enable UN-Habitat to identify and foster effective partnerships with key private sector partners and other stakeholders while managing associated risks. Additionally, the strategy will guide the development of relationships at the highest level with companies, associations, foundations, and influential private individuals. UN-Habitat will build linkages with partners who are passionate about urban development and those whose business activities are relevant to the urban agenda.

As underlined by the Executive Director at the 2023 World Economic Forum, UN-Habitat encourages the private sector to seize this moment to re-engage with the New Urban Agenda. Rather than see it as a parallel process, to use it as catalyst. At a time of health emergencies, climate crises, and conflict, the New Urban Agenda offers a pathway toward sustainable development.

What are the focus areas for UN-Habitat Private Sector engagement?

I. Advocacy, monitoring and partnerships

Strategic intent

- Enhancing monitoring of urban conditions and trends,
- Increasing dissemination of key urban data through the media,
- Better collection and sharing of information on best practices in sustainable urbanization efforts and policies,
- Greater integration of sustainable urbanization principles into national plans and country-level operating frameworks,
- Analysing and scaling of best practices in sustainable urbanization,
- Dissemination of best practices, best policies and legislations through the media.

Proposed areas of partnership

- Communication and media on urban conditions, trends and best practices
- Data collection and production (indices)
- Policy analysis
- Surveying and mapping
- Promoting best practices from the private sector (Habitat Business Award).

Type of partner

- Media organizations which produce and disseminate multimedia outputs. This could include TV, radio, online or social media partners, networks of journalists and media practitioners
- Data and indicators/ indices from companies working on research and data analysis on urban issues as companies core business (in priority areas: transportation, energy, etc)
- Companies that are active in supporting the urban agenda at country level to participate in joint sessions with World Urban Forum and the World Urban Campaign
- Dissemination of knowledge on urban issues through global conferences and events organised by the Private sector
- Social network for World Urban Campaign, World Urban Forum
- Award partnership with companies supporting an award that recognize best practices

II. Participatory urban planning, management and governance

Strategic intent

The private sector plays a major role in providing shelter as well as basic services in urban settlements around the world. This has broad implications for urban planning, management and governance. Partnerships with private sector in this area should be developed and targeted at strengthening the capacity of national governments, local authorities, national governments and other stakeholders in urban planning, management and governance. Most private sector engagement in this area will be in the form of supporting or providing technical assistance, training/ capacity-building, sharing of best practices and access to regional and global fora on relevant issues.

Proposed areas of partnership

- Networking
- Best Practices
- Pro-Bono technical assistance
- Training Tool Development
- Development of application for improved urban management, decision making and safety
- Sharing and pooling of data in support of improved benchmarking of urban management governance, risk management, etc.

Type of partner

- National / Global Networks for Property Developers to support Sustainable Urbanization
- Engineering, architecture, environmental planning firms with on-going corporate social responsibility (CSR) programmes interested in providing pro-bono technical assistance
- National networks of employers/ manufacturers
- Companies involved in the promotion of urban security, telecommunication and ICT
- Development of toolkits and programmes to support pro-poor access to basic services via public-private partnerships
- Creation of consortia to support public private partnerships to undertake pro-poor capital investments
- Development of networks and mechanisms, and collaboration on lobbying, to make climate change adaptation and mitigation finance more accessible to cities in developing countries
- Strengthening of capacity-building institutions, with the support of private sector partners, to bridge the gap between common practice and best practice

III. Pro-poor land and housing

Strategic intent

Partnerships in this area should be targeted to support policies and improved legal and regulatory frameworks to help national governments adopt pro-poor, gender and age-sensitive housing, land management and property administration.

Proposed areas of partnership

- Green buildings for affordable housing solutions
- Real estate development in developing countries
- Investment and partnership in slum upgrading
- Housing finance
- Land use, Land management, urban density.

Type of partner

- Construction industry and private sector networks in the field of building materials and construction technologies;
- Real estate developers in developing countries;
- Housing finance and micro-finance institutions and cooperatives in developing countries;
- World Green Building Council, National GBC and other bodies involving private sector partners working in the area of building material.
- Companies involved in research on environmentally sound and carbon-efficient built environments.

IV. Environmentally sound and affordable basic infrastructure and services

Strategic intent

Partnerships in this area should be targeted to activities such as: application of low cost technology in treatment of quality affected ground water, decentralized waste water treatment, technology for bio gas generation, efficiency in the build environment, urban renewable energy technologies (wind, solar and biomass energy).

Proposed areas of partnership

- Capacity-building in the development and management of basic infrastructure and services
- Development of tools
- Pro-bono services, in-kind and donation in operational projects targeting the urban poor

Type of partner

- Industry and private sector networks in the field of basic services, urban services delivery and infrastructure, in particular:
- Industry involved in the development of sustainable transport solutions
- Industry involved in water provision;
- Industry involved in energy provision;
- Industry involved in waste management.

V. Strengthening Human Settlements Finance Systems

Strategic intent

Improving access to finance for housing and infrastructure, particularly for the urban poor, through innovative financing mechanisms; Improving institutional capacity to leverage the contributions of communities, local authorities, the private sector, government and international financial institutions.

Proposed areas of partnership

- Microfinance of Water and sanitation services through establishment of revolving fund Capacity.

Type of partner

- Industry involved with Banking Services
- Industry involved with delivering housing and infrastructure Public-Private Partnerships

VI. Excellence in management

Strategic intent

Partnerships in this area should be targeted to improve the organization's work through results-based management, and improved communication, financial management, human resources and knowledge management systems.

Proposed areas of partnership

- Monitoring and Evaluation
- Corporate Management
- Communication
- Resource Mobilization

Type of partner

- International accounting and consulting firms (probono support)

VII. Sustainable Finance in Urban Development Projects

Strategic intent

Partnerships in this area should be targeted to bridge the municipal infrastructure funding gap and catalyse progress on the achievement of the 2030 Action Agenda,

Proposed areas of partnership

- Urban Infill and Public Space
- Transport and Mobility
- Water and Sanitation
- Waste Management
- Slum Upgrading
- Roads and Bridges
- Climate and Environment
- Affordable Housing
- Urban Regeneration
- Energy

Type of partner

- Project preparation facilities
- Investment Banks
- National and international development finance institutions
- Investment and asset management companies

Chapter 3: Positioning UN-Habitat to receive Private Sector contributions

Why is the Private Sector interested in partnering with UN-Habitat?

UN-Habitat is a center of excellence in sustainable urbanization, with the ability to convene and enhance the work of key actors working to achieve SDG 11; making cities and settlements inclusive, safe, resilient, and sustainable. More specifically, it can unlock the following opportunities for the private sector:

- **Networks and access:** UN-Habitat has direct and indirect access to governments, and can provide private sector firms access to exclusive, high-return, and sizable projects.
- **Credibility and goodwill:** Endorsement from UN-Habitat enhances the credibility of private sector firms and serves to establish these firm's reputation in new markets and to seek partners or investors.
- **Long-term country presence:** Private sector firms can tap into UN-Habitat's knowledge of local contexts as they explore new markets. Additionally, UN-Habitat can provide the private sector with visibility in global markets.
- **Convening authority:** UN-Habitat has the ability to bring together representatives from government, private sector, and development organizations to problem-solve and collaborate on issues related to human settlements and urban developments.
- **Technical expertise and intellectual capital:** The private sector can tap into UN-Habitat's wealth of knowledge on human settlements and urban developments derived from its work across multiple countries.
- **Sustainable development goals:** Working with UN-Habitat provides private sector firms an avenue to contribute to SDGs including Goals 11 - sustainable cities and communities, 10 - reduced inequalities, 13 - climate action. The pivot SGD 17 underlies the need for partnerships, including private sector partnerships for these goals to be achieved.

The private sector's value proposition to UN-Habitat



Funding: The private sector is an ideal source of funding and can make direct investments into UN-habitat's projects, or provide in-kind support to fill existing and future financing gaps within UN-Habitat.



Problem-solving skills: The private sector can utilise its varied competencies and skills and bring to bear its innovative spirit to support UN-Habitat in identifying and pioneering new solutions to transform cities and other settlements.



Program implementation: The private sector, leveraging its networks and technical ability, can support UN-Habitat in developing, testing, and scaling projects to support the New Urban Agenda and urban-related SDGs.



Advocacy: The private sector can use its authority, influence and connections to effect policy and advocate for reforms and policies to create a more-favourable regulatory environment for sustainable urbanization.



Networks and access: Private sector alliances, civil societies, and business associations can provide UN-Habitat with access to their members who will form UN-Habitat's prospective partners.



Knowledge sharing and learning opportunities: Private sector firms can share their methodologies and innovative solutions with UN-Habitat to inform the agency's programmes and technical projects.

Private sector partnerships with companies, individuals, and foundations hold both strategic and financial value for UN-Habitat. With the right structures and strategy UN-Habitat aims to engage companies to support program implementation, harness corporations' technical expertise, and also raise in-kind or cash resources.

Private sector engagement, while it holds numerous benefits for UN-Habitat is not without its set of challenges. One of the key challenges that humanitarian and development organizations face when engaging the private sector is competing goals, where companies more often than not are seeking to derive financial or strategic value from their efforts. In addition to this, many private sector firms see working with UN agencies as part of their business development efforts and would therefore focus more on selling their goods and services to the agency rather than finding programmatic alignment.

In addition to this, humanitarian and development organizations also face multiple bottlenecks when it comes to securing buy-in from their donor governments to support private sector engagement. Additionally, agencies may also lack the internal capabilities to understand the language of the private sector to facilitate productive collaboration between the two parties. Finally, due diligence and contractual processes take a lot of time and in some cases, prospective private sector partners lose interest due to the significant delays. Given this, UN-Habitat is investing in building its internal capacity to enable it to identify and sustain private sector opportunities that are most valuable to the organization.

2012 - Initial relationship with Mojang

- The partnership between UN-Habitat and Microsoft dates back to 2012 when UN-Habitat entered into a partnership with Mojang, a Swedish game-developer company.
- The partnership allowed UN-Habitat to use Minecraft for its public participation work. In addition to this, Mojang committed to contributing \$100,000 to UN-Habitat for the next five years. The Collaboration with Mojang known as Block by Block has enabled UN-Habitat to involve members of the community who are often left out of urban design processes.
- As part of this partnership, UN-Habitat and Mojang launched joint fundraising efforts through game jams and crowdsourcing. UN-Habitat was also able to secure **one percent of all sales** between Lego and Minecraft which created a predictable, long-term stream of funding for UN-Habitat.

2015 - Microsoft acquired Mojang

- When Microsoft acquired Mojang, Microsoft was keen to be involved in the relationship with UN-Habitat that had been established by Mojang.
- Microsoft together with UN-Habitat set up the Block-by-Block Foundation whose main purpose is to raise funds to support UN-Habitat's public space projects. The Foundation's structure is quite innovative and unique within UN-Habitat and it has its own board of directors and oversight procedures.
- Since its inception, Block by Block has been able to raise over \$10 million dollars for UN-Habitat

2017 - Expanding the Partnership

- In 2017, UN-Habitat and Microsoft organized a joint working session to identify additional partnership opportunities between the two organizations.
- The conversations resulted in two projects: 1) Digital transformation within UN-Habitat, and 2) Improving the quality of life by building data centers for local communities. Under this partnership, UN-Habitat is providing Microsoft with a play-by-play guide on how their data centers can be more inclusive. To date, Microsoft has built data centers in Sweden, Mexico, and India.
- The data center project is **valued at \$1.2 million**, over its lifetime.

The partnership with Mojang, and now Microsoft, spans 9 years and has been sustained by active engagement by UN-Habitat staff to build Habitat's goodwill within Microsoft. Additionally, teams from the two organizations meet regularly to track the progress of current joint projects and to also discuss other opportunities to work together. Finally, senior management representatives from both UN-Habitat and Microsoft have supported this partnership which has contributed to its continued success.

Case Study: Beirut - Regional Alliance to Reduce Plastic Waste

Background on the Alliance:

The project was initiated by the Regional Office for Arab states after discovering private sector initiatives in the region focused on reducing plastic waste. The regional office started the partnership by working with local authorities who then partnered with the private sector to set up reverse vending machines across the region. The partnership then led to the growth of other initiatives including 1) The Lebanon Glass Recovery Project (LGRP), 2) Lebanon Bottle Recovery Project (LBRP), 3) Rubbles to Mountains, 4) Ras Beirut Btefroz (RBB), 5) Rejects of Glass and Plastics (ROGP), and 6) Reverse Vending Machines (RVMs).

- The objective of the Alliance is to create better urban living conditions for communities located in the Middle East and North Africa (MENA) region –through innovative waste management and investing in recycling infrastructure.
- Private sector partners involved in the project include Syndicate of Owners of Restaurants, Cafés, Night-Clubs & Pastries, Diageo, IBI, Pepsico, Nestle, Development INc, Spinneys, Fattal, Reel-y, and more.

Achievements:

The Lebanon Bottle Recovery Initiative has achieved the following within two years:

- 5,860 Tons of plastic diverted from landfills
- 20,300 Tons of glass diverted from landfills
- 150,000 Tons of rubble recovered as part of the Beirut explosion cleanup project
- 230 Products made of rejects of glass and plastics
- 200 Items made of rejects of glass and plastics will be produced to restore Beirut public spaces
- 60 reverse vending machines managed by Development Inc. across Lebanon
- Approximately 100 hotels, bars, restaurants, and clubs participating in the collection of recyclables

Under the Rubbles to Mountains project, the UN-Habitat team was able to:

- Mobilize partners to provide expert support and funding (USD 2.3 million)
- Coordinate over 4,000 volunteers on the ground doing the collection of the debris
- Collect over 200,000 tons of rubble and glass which are being stored at a secure designated site
- Secure machinery required for the work including wheeled loaders, excavators, rubble, glass crushers, and more
- Segregate of recyclables such as electronic waste, wood, metal, furniture is underway and these materials are being sent to the relevant recycling channels

In addition to this, the private sector companies involved in the projects have also started shifting their own internal production processes to reduce plastic waste. For example, Pepsico has committed to start using packaging products that are more environmentally friendly. Private sector partners have also contributed the funds they have saved by using recycled products to support UN-Habitat programs.

The team leading the Regional Alliance has also been contacted by representatives from other UN agencies seeking to learn more about the strategy, methodologies, and best practices emerging from the different initiatives. Projects such as these, position UN-Habitat as a thought leader and innovator not just to the private sector but also among other UN agencies.

What opportunities exist for UN-Habitat to Partner with the Private Sector?

UN-Habitat's most promising private sector partnerships cut across three lenses: Companies that are aligned with UN-Habitat's focus areas, programmatic goals and activities, Organisations that offer innovative solutions or technology to enhance UN-Habitat's work, and companies whose social impact goals align with UN-Habitat (an example could be companies committed to the climate change cause)

To enhance private sector partnerships UN-Habitat must take the following approach to optimize current partnerships and engage new partners:

- **Securing and strengthening existing partnerships:**
Only 12 of UN-Habitat's 46 private sector partnerships have their financial or in-kind value articulated. For current partnerships, UN-Habitat will focus on optimizing the potential of financial partnerships and strengthening the relationships with different partners. UN-Habitat partnership leads will identify and resolve cases of suboptimal partnerships, missed opportunities, duplication of effort, and partner confusion to draw the most value from existing partnerships.
- **Revisit 'dormant' relationships to assess the potential for reinvigoration:** There is evidence of prior engagement with the companies listed below, however, there is no clear indication of follow-through to formalise the partnership. Relying on the prioritization tool above, UN-Habitat representatives will revisit partnerships with the highest value-add to Habitat's projects to identify immediate collaboration opportunities.
- **Going to the market to identify new partnerships:**
Partnerships that are most relevant to UN-Habitat are based on two factors - 1) Alignment with UN-Habitat's mandated Focus Areas and 2) the value of the partnership based on the giving capacity of the organization whether their contribution is financial or in-kind. The estimated giving capacity of an organization can be derived from the organization's reported total giving and their history of giving to areas of work similar to UN-Habitat's programs. While in-kind contributions are more difficult to measure, broad estimates can be drawn from 1) Overlaps between the company's areas of work and UN-Habitat, 2) the technical capacity of the private sector organization, and 3) their previous shared-value partnerships.

As UN-Habitat engages the private sector, it is important to develop reliable and time-efficient due diligence tools to vet any prospective partner. A five-step process was developed to aid this process by mitigating UN-Habitat's risk exposure when engaging private companies.

Chapter 4: Step-by-Step Process of onboarding a Private Sector Partner

Part A: Formulation of the Partnership

Introduction

By its resolution A/RES/68/234, *“Towards global partnerships: a principle-based approach to enhanced cooperation between the United Nations and all relevant partners”*, the United Nations General Assembly invited the UN system to consider partnerships with private sector entities and encouraged the UN system to continue to develop a common and systematic approach which placed greater emphasis on transparency, coherence, impartiality, accountability and due diligence, without imposing undue rigidity in partnership agreements.

The General Assembly further requested the Secretary General in collaboration with the UN funds and programmes, specialized agencies and other relevant UN entities to strengthen due diligence measures that can safeguard the reputation of the Organization and ensure confidence-building.

Purpose and Scope

1. The purpose of this Standard Operating Procedure (SOP) is to outline the steps that need to be taken to facilitate the formulation and implementation of partnerships between UN-Habitat and the Private Sector.
2. The procedures outlined herein apply to all UN-Habitat offices and shall be adhered to when engaging with the private sector.

Definitions

3. This SOP defines the Private Sector as:
 - For-profit, and commercial enterprises or businesses;
 - Business associations and coalitions (cross-industry, multi-issue groups; cross-industry, issue-specific initiatives; industry-focused initiative); including but not limited to corporate philanthropic foundations.
4. Partnerships may be defined as voluntary and collaborative agreement or arrangement between the UN-Habitat 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.
5. When to conduct due diligence:
 - A due diligence process will be carried out before UN-Habitat enters into a partnership with a Private Sector entity.
 - Exceptions shall be granted when:
 - The proposed opportunity is a continuation of an existing partnership; and/or
 - A recent due diligence assessment, within the last one year, has been carried out on the proposed partner/project and where this assessment relates to activities in a similar or related sphere of activity.
6. A due diligence assessment will remain valid for a maximum of one year; however, UN-Habitat can determine whether an early re-assessment is required where circumstances indicate that there has been a significant change in any factor of the Private sector entity.

Procedure

7. UN-Habitat due diligence policy and procedures are divided into 5 steps as follow:

- Basic screening and research
- Detailed screening and research
- Conversations with the Private Sector entity
- Drafting agreements
- Final decision

8. The due diligence assessment is carried out by UN-Habitat's Private Sector Partnership Team (UN-Habitat PSP Team) with support of Legal office, Office of Executive Director and relevant technical unit/ desk/ operation.

Basic research

9. When receiving partnership opportunity/ offer from a Private Sector entity, the proposing unit focal point will:

- Conduct basic research on the Private sector entity;
- Verify if the Private sector entity meets the UN Global Compact Guidelines on the Cooperation between the United Nations and the Business Sector.

The proposing unit focal point will then share the outcome of the basic research with the Private Sector Partnership Team.

Detailed research

10. The Private Sector Partnership Team will conduct the detailed research/screening after receiving basic research form from the proposing unit focal point.

11. This will include:

- Verifying if the Private Sector entity meets UN-Habitat Due Diligence Screening Criteria in Due Diligence Framework Template;

- Checking Environment, Social and Governance (ESG) data, other available data and cases related to the Private Sector entity; and
- Proposing potential type of partnership.

Conversations with the Private Sector entity

12. Based on the detailed research, the Private Sector Partnership Team and the proposing unit will set up conversations with the Private Sector entity to explore suitable type of business engagement and enhance risk mitigation.

13. If the assessment and conversation are positive, a decision will be made to move forward with drafting of partnership documents in accordance with the applicable rules, regulations, policies and guidelines.

Drafting Partnership proposal document and Agreement

14. At this stage, the Head of PSP will lead in the drafting of the relevant partnership instrument, with the support from the PSP teams and/or Private sector partnership officers in the field, the Legal Office and the External Communication Unit.

15. Partnership instruments may include:

- Memorandum of Understanding
- Private Sector Partnership Agreement
- Pro-bono Agreement
- Communications Agreement

16. The draft agreements will be shared with the Legal Office and all relevant units/ divisions for review and comments, in order to assess the legality of the agreement and risks attached to the partnership, if any, in order to evaluate and mitigate the risks.

17. The Private Sector Partnership Team will review and edit the partnership agreement based on comments received from the Legal Office and other relevant units/divisions.

Final decision-making on partnership offer

18. The final draft of partnership agreements will be sent to the appropriate Representative of UN-Habitat based on the Delegation of Authority to sign UN-Habitat Agreement.
19. If the partnership contains high risk, the Executive Director can form a committee to discuss and decide on the partnership offer.
20. If the partnership agreement has not considered all the risks and risk mitigation, the committee will send back to the Legal Officer and the Private Sector Partnership team for review and modification.
21. If the committee agrees on the acceptance of partnership offer, Representatives of UN-Habitat and the Private Sector entity will sign the Partnership agreements declaring the partnership between the UN-Habitat and the Private Sector entity.

Steps

PS Partnership opportunity/
offer comes to UNH

Basic research on the PS entity

Detailed research on the PS entity

Enter conversations with the PS entity to
explore types of agreement and optimise
partnership opportunities

Drafting Partnership
proposal documents

Circulating Partnership proposal
document to Legal Office and all relevant
units/divisions for risk evaluation
and mitigation

Final decision-making and
signing the agreements

Output	Responsibilities	Documents to refer
<ul style="list-style-type: none"> Completed basic research form 	<ul style="list-style-type: none"> Proposing unit focal point/ technical person 	<ul style="list-style-type: none"> UN Global Compact - Guidelines on the Cooperation between the United Nations and the Business Sector
<ul style="list-style-type: none"> Completed detailed research form 	<ul style="list-style-type: none"> Private Sector Partnership Team 	<ul style="list-style-type: none"> UN Global Compact - Guidelines on the Cooperation between the United Nations and the Business Sector
<ul style="list-style-type: none"> Meeting minutes 	<ul style="list-style-type: none"> Private Sector Partnership Team 	<ul style="list-style-type: none"> UN-Habitat Due Diligence Framework template (Annex 2) Lexis Nexis due diligence
<ul style="list-style-type: none"> Proposed type of agreement 	<ul style="list-style-type: none"> Proposing unit/ technical person 	<ul style="list-style-type: none"> ESG database, other available data and cases Detailed research paper on the PS entity prepared by the PSP team
<ul style="list-style-type: none"> Draft Partnership proposal document: <ul style="list-style-type: none"> - MoU - PSP Agreement - Pro-bono Agreement - Communication Agreement 	<ul style="list-style-type: none"> Private Sector Partnership Team Proposing unit/ technical person Legal Office Relevant offices/units/ divisions 	<ul style="list-style-type: none"> UNH PSP Agreement UN-Habitat Pro-bono Agreement Communication Agreement UNH PSP Agreement template UN-Habitat Pro-bono Agreement template
<ul style="list-style-type: none"> Signed agreement 	<ul style="list-style-type: none"> Executive Director Director of Global Solutions Division Director of Management Advisory Compliance Service/ Regional Representatives Head of Private Sector Partnership team 	<ul style="list-style-type: none"> Communication Agreement template Checklist for clearing and approving private sector partnership agreements (Annex 3) Risk mitigation document Delegation of Authority to sign UN-Habitat Agreement

Part B: Formalisation via Legal Instruments

Introduction

1. By memorandum dated 26 November 2019², the Executive Office of the Secretary-General (“EOSG”), requested all Departments, Offices, Regional Commissions and Offices away from Headquarters to inform the EOSG of any agreements, memoranda of understanding, memoranda of agreement, exchange of letters, letters of intent, joint communiques, agreed minutes and any other legal instrument that they envisage to conclude with external partners³ as early in the negotiation process as possible.
2. The said memorandum further provides that the information to be provided by the Requesting Office/Entity should include the following:
 - i. A summary of the scope and contents of the envisaged arrangement;
 - ii. The rationale/justification of the partnership/collaboration; and
 - iii. The type and template of the legal instrument envisaged and the relevant parties.

Rationale

3. The rationale for this directive is to ensure a consistent and coherent approach within the United Nations Secretariat when concluding such cooperation or collaboration arrangements with external partners.

Purpose and Scope

4. As an entity administered by the United Nations Secretariat, UN-Habitat is required to comply with the requirements of the said directives. However, due to the nature of UN-Habitat’s programmatic and operational activities, it is necessary that this Standard Operating Procedure, (“SOP”), is put in place to ensure seamless continuation of UN-Habitat activities and operations, particularly in the field.
5. Accordingly, the purpose of this SOP is to outline the processes and procedures to be followed in entering into and concluding cooperation or collaboration agreements and legal instruments with external partners.
6. This SOP shall complement the current “*Guidelines on the Use of UN-Habitat agreements and Legal Instruments*” available on UN-Habitat’s HabNet under: *Legal/Legal Guidelines and Procedures*; at <https://habnet.unhabitat.org/service/legal>; which gives detailed guidance on the different types of Agreements and Legal instruments.
7. The processes and procedures outlined herein shall apply to all UN-Habitat offices and shall be adhered to by all UN-Habitat personnel.⁴

2 Internal memorandum dated 26 November 2019 from the Chef de Cabinet relating to all Heads of Departments, Offices, Regional Commissions and Officers away from Headquarters, including those regarding the provision of voluntary contributions, gifts or donations.

3 “*External Partners*” includes States, local authorities, international organizations, non-governmental organisations, public and private entities and other external actors

4 “*Personnel*” means all UN-Habitat staff, consultants, interns and others assigned to work on UN-Habitat programmes, projects or activities at UN-Habitat offices and in the field.

Procedure

8. UN-Habitat Offices wishing to conclude cooperation or collaboration agreements or any other legal instruments with external partners should inform the Office of the Executive Director (“OED”) and the Legal Office. This should be undertaken as early in the negotiation process as possible or at least one (1) month prior to the anticipated signing of the proposed Agreement or legal instrument.
9. For planning purposes, it is recommended that a list of cooperation or collaboration agreements or any other legal instruments anticipated to be signed, in a particular month, be sent to the Legal Office one month prior to the anticipated date of signature. The Legal Office will then submit the lists of all Agreements/legal instruments anticipated to be signed to the EOSG on a monthly basis for their information.
10. When submitting the list, the Requesting Office will provide a synopsis of the proposed collaboration which will include the type of Agreement/ MOU/ legal instrument, the external partner, the scope and justification for entering into the proposed collaboration. A template of this synopsis is attached to this SOP as **Annex 1**.
11. OED/Legal will review and submit the synopsis to EOSG. Upon receipt of the synopsis, the EOSG will review and, if necessary, liaise with the relevant departments including the Department of Political and Peace Building Affairs, the Controller’s Office and the Office of Legal Affairs “(OLA)”.
 12. Should EOSG have any comments, suggestions or objections to the proposed Agreement or Legal Instrument, they will revert to OED/Legal who will in turn inform the Requesting Office. If there are no comments, suggestions or objections from EOSG, the proposed Agreement or Legal Instrument can proceed with finalisation.
 13. The Requesting Office shall then share the proposed Agreement or legal instrument with the external partner for their review and revert with any comments and/or revisions to the proposed Agreement/legal instrument.
 14. If there are any issues to be resolved, further negotiations can take place between the Legal Office and the external partner’s Legal Office to discuss the proposed revisions.
 15. Once the proposed Agreement or legal instrument is cleared by the Legal Office, it can then be signed by the UN-Habitat official with the requisite delegated authority and the external partner’s authorized signatory. Once signed, the Requesting Office will send to the Legal Office the countersigned Agreement for record-keeping.
 16. This SOP shall be effective from date of its signature. Any exceptions or deviations from this SOP will require the approval of the Executive Director in consultation with the Legal Office.

UN-HABITAT AGREEMENTS AND LEGAL INSTRUMENTS – CLEARANCE AND SIGNATORIES⁵

LEGAL INSTRUMENT	TYPE OF PARTNER	PURPOSE	CLEARANCE ⁶	DESIGNATED SIGNATORIES
1. Memorandum of Understanding (MoU) ⁷	<ul style="list-style-type: none"> i. Government Ministries and Departments; ii. Local and Regional Governments; iii. NGOs; iv. Universities and Research Institutions; v. Foundations; vi. United Nations Agencies; vii. Private Sector. 	<ul style="list-style-type: none"> i. Purpose: General framework used to express common intention to explore wider cooperation. 	<ul style="list-style-type: none"> Legal Unit 	<ul style="list-style-type: none"> i. MoUs without financial Obligations with Government Ministries and Departments and UN agencies <ul style="list-style-type: none"> a. Executive Director b. Deputy Executive Director c. Head, Office of Management d. Director, Project Office e. Branch Coordinators, depending on level and position of person signing on behalf of the partner. ii. MoUs up to \$300,000 <ul style="list-style-type: none"> a. Directors of Regional Offices b. Liaison Offices c. Director, Project Office d. Head, Office of Management, e. Head, External Relations Office. iii. MoUs over US\$300,000 million <ul style="list-style-type: none"> a. Executive Director b. Deputy Executive Director

⁵ The Executive Director has given to certain individual officials the delegated authority to sign agreements that have a financial limit of up to 1million US Dollars, irrespective of these stipulations.

⁶ Legal clearance is necessary for all UN-Habitat Agreements and Legal Instruments given the need to adhere to the United Nations Rules, Procedures Principles and Regulations and to reduce risk and liabilities to UN-Habitat.

⁷ Memorandums of Understanding (MoU)'s are usually general framework agreements with no financial obligations on either party. However, in exceptional circumstances the Partner may require that an MOU be used. Such requests need to be cleared with the Legal Unit.

LEGAL INSTRUMENT	TYPE OF PARTNER	PURPOSE	CLEARANCE ⁶	DESIGNATED SIGNATORIES
2. Contribution Agreement	Donors such as:	<p>i. Purpose: UN-Habitat receiving earmarked or non-earmarked funds.</p>	Legal Unit	<p>Agreements up to US\$1 million</p> <p>a. Directors of Regional Offices</p> <p>b. Liaison Offices</p> <p>c. Director of Project Office</p> <p>d. Branch Coordinators</p> <p>e. Head, Office of Management</p> <p>f. Head, External Relations Office</p> <p>ii. Agreements over US\$1 million</p> <p>a. Executive Director</p> <p>b. Deputy Executive Director</p> <p>c. Head, Office of Management</p>
	<p>i. Government Ministries and Departments;</p> <p>ii. Local and Regional Governments;</p> <p>iii. Foundations;</p> <p>iv. Regional Organizations e.g. European Union;</p> <p>v. World Bank;</p> <p>vi. United Nations Agencies;</p> <p>vii. Major donors e.g. Swedish International Development Agency (SIDA);</p> <p>viii. Private Sector.</p>			
3. Private Sector Partnership Agreement	Private Sector Organizations.	<p>i. Purpose: UN-Habitat receiving funds in the form of grants or donations from the private sector.</p>	Legal Unit	<p>Agreements up to US\$1 million</p> <p>a. Directors of Regional Offices</p> <p>b. Liaison Offices</p> <p>c. Director, Project Office</p> <p>d. Branch Coordinators</p> <p>e. Head, Office of Management</p> <p>f. Head, External Relations Office</p> <p>ii. Agreements over US\$1 million</p> <p>a. Executive Director</p> <p>b. Deputy Executive Director</p> <p>c. Head, Office of Management</p>

LEGAL INSTRUMENT	TYPE OF PARTNER	PURPOSE	CLEARANCE ⁶	DESIGNATED SIGNATORIES
4. Trust Fund Agreements	i. Government Ministries and Departments;	i. Purpose: Sets out the modalities for payment, receipt, expenditure of trust fund monies.	Legal Unit	i. Agreements up to US\$1 million a. Directors of Regional Offices b. Liaison Offices c. Director, Project Office d. Branch Coordinators e. Head, Office of Management f. Head, External Relations Office.
	ii. Local and Regional Governments;			
	iii. NGOs;			
	iv. Universities and Research Institutions;			
	v. Foundations;			
	vi. United Nations Agencies.			ii. Agreements over US\$1 million
	vii. International Institutions;			a. Executive Director
	viii. Private Sector.			b. Deputy Executive Director c. Head, Office of Management
Lease Agreements	i. Government Ministries and Departments;	i. Purpose: Renting property to UN-Habitat for the use of office space or other official use.	Legal Unit	i. Agreements up to US\$200,000 per annum a. Directors of Regional Offices b. Liaison Offices c. Director, Project Office d. Branch Coordinators e. Head, Office of Management f. Head, External Relations Office.
	ii. Local and Regional Governments;			
	iii. United Nations Agencies;			ii. Agreements over US\$200,000 per annum
	iv. Private Individuals;			a. Executive Director
	v. Private Sector.			b. Deputy Executive Director c. Head, Office of Management

Chapter 5: Recommendations to improve the UN-Habitat Private Sector Engagement

A review of UN-Habitat Private Sector Engagement was conducted in the period 2021-2022 by independent consultants. The findings and recommendations from that review are as follows:

1. Centralized private sector engagement approach

- UN-Habitat needs a coordinated approach and guiding principles across all initiatives and departments when engaging the private sector to be able to attract and grow long-lasting partnerships.
- The strategy should outline UN-Habitat's priorities which also informs the kind of partnerships to seek and dedicate time and resources to maintain.
- Additionally, the strategy should provide for a referral system across UN-Habitat, where each department can serve as a 'Business Development' arm and refer partners who are not suitable for them to another department.

Principles for Private Sector Engagement

- Priority will be given to long-term, sustainable partnerships and not one-off engagements.
- All partnerships must be aligned with UN-Habitat's internal priorities, vision, and mission.
- Partnerships will be value-driven, and where possible will include measurable outcomes and the expected impact.
- UN-Habitat will adopt a nimble, and flexible approach, amending the strategy based on the outcome of earlier and ongoing engagements.
- Transparency and accountability are expected from the internal team in all private sector engagements.

2. Strong, clear value proposition, applied consistently across the organization.

- UN-Habitat needs to develop its unique value proposition to facilitate its conversations with the private sector and to get their buy-in especially for projects that the private sector may not have engaged in previously.
- The value proposition should define the key incentives for the private sector to partner with UN-Habitat and reflect UN-Habitat's priority areas.
- It is recommended that this is linked to the delivery of SDG 11; Making cities inclusive, safe, resilient, and sustainable and positioning UN-Habitat as a centre of excellence and ideal partner towards that goal.

Proposed value proposition:

Generally, UN-Habitat's value proposition includes the following:

1. **Convening authority** & ability to bring together multiple stakeholders from Government, Foundations, and Business.
2. Long-term country presence, **knowledge of local contexts**, and networks in different countries.
3. **Connections** to local governments and access to multiple sizable projects.
4. **Technical expertise** and the ability to support sustainable urbanization and the future of cities.
5. **Credibility and goodwill** that can enable foreign firms to build their reputation in new markets.
6. **Exclusive source** of high-return projects in emerging markets.*

A tailored proposition informed by the above will be developed for each conversation and pitch presented by UN-Habitat to governments and private sector actors. In phases 2 and 3 a single line value proposition will be developed based on input from more stakeholders including the private sector.

3. Defined priorities within UN-Habitat to inform private sector engagement:

- UN-Habitat's resources should be dedicated to building and sustaining the partnerships that hold the greatest value for the Sustainable Urbanization agenda and for the organization.
- To achieve that, a key step is defining the priority areas and needs for private sector partnerships within UN-Habitat.
- Clearly defined priorities will also inform the kinds of partners that UN-Habitat should be approaching, and the pitch presented to these partners, and further, inform the pipeline for engagement, allowing for pro-active selection of partners and a stewarding and 'referral' approach that allows the organization to optimize and maximize all opportunities. This allows for a more strategic and broader shared value approach to private sector engagement.

4. Measurable performance indicators: What does successful private sector engagement look like for UN-Habitat?

- UN-Habitat's long-term private sector engagement strategy needs to define the primary objective of engaging with the private sector; be it for fundraising, to catalyze private sector investment in the sustainable urbanization agenda (through funds that do not necessarily go through UN-Habitat), or to influence private sector practices for the benefit of the new urban agenda.
- Ideally, meeting all three objectives should be a goal, but in terms of measuring success, it is important to determine measurement indicators for each objective and even determine the leading objective for each prospective partnership.

5. Partner identification and vetting tool:

- A risk analysis, risk mitigation approach to private sector engagement is highly recommended. It is important that any partner brought on is appropriately vetted to maintain the reputation and goodwill of UN-Habitat. Moreover, it is also critical that UN-Habitat's engagement with the private sector is proactive and informed by an inclusionary approach- which are the industry sectors UN-Habitat must engage with because failure to do so undermines the organization's ability to deliver on SDG 11- either because these industries have the greatest impact- negative or positive- on urbanization?
- A robust due diligence process will help vet and mitigate risks while also helping identify ideal partners for the organization. The earlier proposed central team should lead on central due diligence with an approving task team made up of broader team members beyond that team. Existing guidelines, produced in line with the UN Global Compact should be updated to reflect organizational specific criteria.

6. Internal training and knowledge building:

- Internal training exercises should be conducted across all of UN-Habitat's departments on private sector engagement and how to build and maintain these partnerships.
- The training will ensure that the staff is aligned on UN-Habitat's priorities and value proposition when engaging the private sector.
- To complement the training exercises, easy-to-read handbooks and guides should be prepared as reference documents for existing and new staff to use when engaging the private sector.

UN HABITAT
FOR A BETTER URBAN FUTURE

UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME
P.O. Box 30030, Nairobi 00100, Kenya
E: unhabitat-whd@un.org



www.unhabitat.org