

REQUEST FOR PARTNERSHIP PROPOSALS

Sustainable Infrastructure Fund

Context

In order to achieve the world's sustainable development ambitions, developing economies in particular will require large-scale investment to build resilient infrastructure, expand capacities and implement new technologies. Due to global economic uncertainty, the \$2.5 trillion annual financing gap to keep developing countries on track for the 2030 Sustainable Development Goals (SDGs) is predicted to increase with an estimated \$1 trillion gap in COVID-19 emergency and response spending in developing countries. As a result, the annual SDG financing gap in developing countries could increase by \$1.7 trillion, i.e. about +70% in 2020.¹ New kinds of investments in inclusive, sustainable development activities are critical to help close the gap, and accelerate progress towards achieving SDGs and the goals of the Paris Agreement.

Achieving the SDGs - a commitment to eradicate poverty and achieve sustainable development by 2030 worldwide - requires innovative financing solutions. The S3i - "Sustainable Investments in Infrastructure and Innovation" initiative was established to leverage UNOPS' mandate and core strengths in infrastructure, procurement and project management to channel public and private financing into large-scale infrastructure projects in regions that have struggled to attract capital.

Climate-resilient and sustainable infrastructure development is cross-cutting multiple sectors that are identified as key drivers to sustainable development, and UNOPS' S3i is prioritizing the following:

1. *Renewable energy*: By 2040, developing economies are predicted to consume 65% of the world's energy. Investments in renewable energy could support developing economies in the goal of net zero greenhouse gas emissions by 2050 or sooner and in making progress towards the SDGs by promoting access to affordable, reliable and sustainable energy.
2. *Affordable housing*: Based on current trends in urbanization and income growth, the number of people living in substandard housing could grow to 1.6 billion by 2025. Investments in affordable housing can help to improve social equality and trigger economic development within communities.
3. *Health infrastructure*: Achieving the SDG health targets would require an annual increase in new investments of up to \$371 billion. COVID-19 has demonstrated how our world's infrastructure is ill-equipped to deal with global health crises. Investing in health infrastructure and improved health systems has the potential to prevent an estimated 97 million premature deaths by 2030.

¹ OECD (2021): [Global Outlook on Financing for Development 2021](#).

The Sustainable Infrastructure Fund

UNOPS S3i is seeking partnership proposals from like-minded financial institutions and professional fund managers to jointly shape the design of a global Sustainable Infrastructure Fund (or multiple sector/region-focused funds) to leverage market capital at scale to address the critical infrastructure needs in developing countries globally.² The expected fund target size is [USD 1 billion].

In the area of **renewable energy**, the focus is expected to be on investing in renewable energy infrastructure projects, such as solar, hydro, wind, biomass, hydrogen, etc. in the eligible emerging markets and developing countries. While the overall focus will be on the renewable energy generation and related distribution and storage infrastructure, investments in innovative technologies and solutions in the renewable energy value chain could be considered as well.

Additional key fund parameters - the fund is expected to focus on renewable energy infrastructure projects that meet the following criteria:

- ❖ Project size within target fund size parameters
- ❖ Portfolio diversity across emerging and frontier economies
- ❖ Delivery on both financial and social returns, and provision of innovative solutions, resulting in measurable impact metrics
- ❖ Indicative IRR (USD): 8-15%
- ❖ Instrument: equity
- ❖ Type: greenfield/brownfield projects
- ❖ Segment: generation, transmission, distribution and storage assets

In the area of **affordable housing**, the aim is to support affordable housing projects for middle income and lower-middle income segments of the population at scale.

Additional key fund parameters:

- ❖ Strong government support for affordable housing projects
- ❖ Potential for commercial viability with significant demand and undersupply of affordable housing
- ❖ Prime land allocations with opportunities for scaling into other regions
- ❖ Offtake commitments and mortgage finance solutions
- ❖ Strong support for ancillary infrastructure needs of the housing projects
- ❖ Portfolio diversity across emerging and frontier economies
- ❖ Facilitation of the deployment of climate resilient and green technologies
- ❖ Target IRR (USD): 15-25%
- ❖ Instrument: equity
- ❖ Type: affordable housing development and integrated finance solutions

In the area of **healthcare**, the aim is to advance quality of care in the target countries by supporting healthcare infrastructure projects that bring effective and sustainable solutions to the demand of private and public healthcare systems with a focus on primary care clinics, hospitals, diagnostic centres, laboratories, and may include the deployment of proven healthcare technologies.

² UNOPS S3i focuses on investing in projects in non-OECD countries as well as in OECD countries where the United Nations maintains field presence and implements projects (currently Mexico, Chile, Colombia and Turkey).

Are you a fund manager interested in partnering with UNOPS S3i?

UNOPS S3i is seeking to identify credible fund managers with **extensive experience** managing diversified funds of a minimum asset value of USD 1 billion (including sourcing, executing and closing investments, as well as managing and monitoring investments and divestments in the UNOPS S3i target sectors and markets). As environmental, social, and governance (ESG) considerations will be key to the mandate of the fund, the fund manager will be expected to either have **strong ESG capabilities** or be open to developing such capabilities with UNOPS providing the ESG capacity building support to the fund manager. Further, as the focus of the fund will be on sustainable infrastructure investments with a view to creating impact and contributing to the achievement of the SDGs, UNOPS/S3i expects to work closely with the fund manager to establish an **impact management framework** for the fund, including defining targets and an approach in relation to the impact tracking towards SDGs, aligning SDG outcomes and financial considerations by identifying and shaping SDG outcomes through the investment decisions and asset management process.

If you are interested in partnering with UNOPS S3i as a fund manager, please provide detailed information about:

- ❖ the firm, its values, responsible investment philosophy, history, ownership and legal and organisational structure;
- ❖ prospective management team's experience, depth, credibility and cohesiveness and its track-record and investment capabilities, including:
 - track-record in managing investments in non-OECD countries/emerging markets in the UNOPS S3i target sectors with solid historical returns
 - geographic presence and operational capability for originating, executing, portfolio management and monitoring of investments
 - track-record with fundraising and experience in managing third party capital, including a list of investment vehicles managed by the firm
 - firm's view on the target market environment and opportunities
 - overview of the firm's regulatory supervision, governance, risk management and compliance culture
- ❖ ESG capabilities.

Are you an institution interested in partnering with UNOPS S3i on the creation of the fund?

UNOPS S3i is seeking to identify like-minded financial institutions interested in partnering with UNOPS S3i on the creation of the Sustainable Infrastructure Fund (or multiple sector/region-focused funds) as described above, including on defining the fund's mandate and investment strategy, and acting as anchor investors. These may include multilateral financial institutions, bilateral development finance institutions, sovereign wealth funds, institutional investors, asset managers and other sources of public and private sector capital.

If you are interested in partnering with UNOPS S3i, please provide your statement of interest, indicating UNOPS S3i priority sector(s)/region(s) of interest, along with the following information:

- ❖ overview of your organisation (i.e., type, shareholding and management structure, sources of capital, geographic presence, etc.);
- ❖ experience in financing large scale infrastructure projects in the UNOPS S3i priority sector(s)/region(s); and
- ❖ overview of the organisational investment and sustainability strategy.

Contact details

Please send your collaboration proposals to s3i.info@unops.org, or contact us for further questions. Requests will be reviewed on a rolling basis. According to the information provided, the S3i team will decide on whether or not to proceed with the partnership discussions.