

# Information note: UNOPS Demand Side Role in Enabling Financing For Sustainable Development

## A. Development Context - shortage of bankable projects

1. The resources for financing development remain inadequate. The financing gap to achieve the SDGs in developing countries is estimated to be US\$3.9 trillion per year<sup>1</sup>. UNOPS has taken note of intergovernmental discussion on the strong need to accelerate or boost SDG' completion by supporting economically viable and sustainable projects.

2. Of relevance is the 5 April 2023 Financing for Sustainable Development Report.<sup>2</sup> The Report puts in place steps so that collective action moves beyond GDP, placing instead true value on the environment and focusing on human progress and well-being to achieve the 2030 Agenda. Such well-being entails respect for life and the planet as well as reduced inequalities and greater solidarity for a more equal distribution of well-being. Leaving no one behind and a sustainable and just future requires stakeholders' empowerment. Such empowerment includes, for UNOPS, its role in project development and management to address the shortage of bankable/viable projects. The report noted that, since the 1990s, the number of infrastructure projects cancelled or under distress has amounted to 18 percent of the total in developing countries, a high ratio compared to other sectors and that the infrastructure financing gap in developing countries is estimated to be USD 2 trillion.

3. Also of relevance is the adoption on 23 April 2023 of the UN General Assembly resolution 77/282<sup>3</sup> on Building global resilience and promoting sustainable development through regional and interregional infrastructure connectivity. In paragraph 17, the Assembly recognised the lack of pipelines of bankable sustainable projects, and the need for technical assistance and capacity-building support for investment promotion and developing project pipelines and bankable projects, in particular for developing countries. The Assembly also emphasised the need to ensure that pipeline and bankable projects include multi-hazard and other measures that assess, prevent and mitigate risks to their sustainability. In paragraph 25, the Assembly invited United Nations agencies, as well as international financial institutions, along with development partners, to promote and facilitate connectivity and regional integration through quality, reliable, sustainable and resilient infrastructure development and through enhanced financial, technological and technical support, in particular to developing countries.

## B. The current implementation capacity of UNOPS in enabling financing for sustainable development

4. UNOPS' role in enabling financing for sustainable development became more relevant following the adoption of the 2015 Addis Ababa Action Agenda (AAAA). UNOPS has provided governments with advice and capacity development support on activities including project preparation, tender and award, and project delivery. It has also advised government partners on sustainable infrastructure planning and implementation. It has helped them to better understand the financing options available for their

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<sup>1</sup> <https://www.oecd.org/finance/global-outlook-on-financing-for-sustainable-development-2023-fcbe6ce9-en.htm>

<sup>2</sup> <https://financing.desa.un.org/iatf/report/financing-sustainable-development-report-2023>

<sup>3</sup> For information only: A delegation in support of the Resolution underlined the need for a major transition to sustainable infrastructure in the energy, transportation, housing, communications, industrial and agricultural sectors and noted that USD100-120 trillion must be invested in such infrastructure over the next 30 years to create zero-emissions globally by 2050, and that, according to the United Nations Conference on Trade and Development (UNCTAD), the current infrastructure funding gap is over \$2 trillion annually — two thirds of which is in developing countries (Pakistan). Another delegation pointed to quality, reliable and sustainable infrastructure being critical to achieving the Sustainable Development Goals, and the United States will help meet these needs with transparent investments in projects that deliver real economic benefits while safeguarding workers' rights (USA).

sustainable infrastructure plans and to access finance. It has also advised governments on how they may strengthen the enabling environment to attract the necessary finance.

5. This role has not required UNOPS, nor is it contemplated in the future, to engage in any activity related with mobilisation of finance or derisking of investments (through innovative finance mechanisms, such as impact investment or blended finance) using capital from its reserves.

6. To anchor its capacity to deliver on this role, UNOPS developed internal frameworks and control mechanisms in the form of tools and approaches that guide the engagement with governments to strengthen their implementation capacity for infrastructure. The tools developed by UNOPS to enable its implementation capacity are as follows:

- a. Sustainable Infrastructure Financing Tool (SIFT). This tool helps government partners identify and prioritise sources of financing for sustainable infrastructure.
- b. Capacity Assessment Tool - Infrastructure (CAT-I). This tool supports a holistic assessment of a country's enabling environment.
- c. National Infrastructure Systems Model (NISMOD-int). This tool supports early stage infrastructure planning and alignment of portfolios with development goals.
- d. NIPCOA approach identifies gaps in infrastructure and procurement and supports the alignment to the Common Country Frameworks.

7. While ensuring proper national and local leadership is maintained to sustainably meet the needs of partner governments, UNOPS has also partnered with UN agencies, official development assistance (ODA) providers, and development financing institutions (DFIs) when delivering on this role because its work on the demand-side must complement policy and financing activities.

8. Examples of this role include UNOPS partnering with UNEP on the design and roll-out of roadmaps for decarbonising the construction industry as part of the Global ABCAs. As an active member of the UN Inter-Agency Task Force for Financing for Development, UNOPS has contributed to such topics as Closing the Infrastructure Gap, South-South and triangular cooperation, and technology and innovation. UNOPS adds value as a specialised partner that provides knowledge of infrastructure and implementation. Other examples of UNOPS experience in designing and implementing bankable projects include UNOPS helping the government of St Lucia to plan and prioritise infrastructure development considering potential financing opportunities available. UNOPS supported tenders for the administration of a Convention Center in Brasilia, and technical studies in water in Argentina. In Honduras, UNOPS provided assistance for the assurance of the implementation of a Public Private Partnership that created a new form of financing in which national savings were deployed for transparent and sustainable development. In Sierra Leone and Myanmar, UNOPS provided technical assistance to government partners on the preparation, tendering and delivery of projects in the clean energy (solar mini-grids) and microfinance sectors respectively. Successful project delivery in both cases contributed to industry sectors being established that had not existed previously in those countries. Additional multi-year extensions to project delivery increased the overall impact in both cases.

9. The number of these engagements has, overall, remained small. The small portion of these engagements within UNOPS' overall portfolio fail to meet demand. As mentioned above, the shortage of bankable projects has been pointed to during most recent intergovernmental meetings and reports and boosting SDG' completion progress requires all stakeholders, including UNOPS, to strengthen or enhance respective mandate delivery.

## C. Expanding the Implementation Capacity of UNOPS - Enabling Financing for Sustainable Development

10. It bears repeating that, as per its restated Strategic Plan 2022-2025, (i) The Investing for Impact [S3i] workstream of the Office in Helsinki, which was set up in January 2021 to not only make a return but generate a social impact, was closed; (ii) UNOPS will not engage in any activity on the supply side of financing for sustainable development or on investing for impact; and (iii) UNOPS exclusively focuses all its activities related to assisting government partners with implementation on the demand side in the areas of infrastructure, procurement and project management.

11. To make an even more meaningful difference to beneficiaries on the ground, particularly given the ability to leverage financing from different sources and multiply the overall impact of initial grants and loans, it is critical for UNOPS to expand its implementation capacity as per its role in infrastructure, procurement and project management through enhanced design and implementation of bankable projects.

12. UNOPS is consolidating and strengthening its capabilities in order to scale up its services. This will be done by better connecting the internal network of teams involved in enabling financing for sustainable development with each other and with Headquarters functions, and by improving coordination, use of knowledge resources and oversight, including through a strong internal control framework. UNOPS will consolidate capacity that is dispersed across UNOPS around a coherent service offering:

- a. Support project design and manage delivery by leveraging knowledge resources to apply and share good practice, including through partnering opportunities with UN entities (i.e., UN-DESA/UNDP) to further support integrated national financing framework (INFF) implementation and the development of sector financing assessments and strategies in key infrastructure sectors, and jointly improving the infrastructure enabling environment;
- b. Ensure corporate visibility and sponsorship of projects so that adequate resources are available and appropriate controls, oversight and risk management are in place;
- c. Target locations, sectors and government partners based upon external demand, and aligned with internal capacity and strategic intent.

13. UNOPS' response to governments' demand for advice and capacity development will further improve readiness and support project delivery to provide sustainable, resilient solutions that accelerate the achievement of the SDGs. UNOPS' strengthened enabling role is also particularly relevant to LDCs, SIDS and subnational levels within MICs given UNOPS reach and experience in less developed contexts. As a global organization with local presence in over 80 countries, UNOPS has scale and global relationships with donors and implementing partners, and local country knowledge to address the development needs of partners.

14. UNOPS' value-add in a strengthened support role during the origination and preparation stages of projects means that UNOPS may more systematically, when needed and within a limited geographical and sectoral scope, help government partners by preparing SDG aligned economically viable projects.

15. UNOPS' expanded implementation capacity will continue to directly support the work of UN partners with policy mandates and DFIs and government partners with limited implementation focus or reach. As government partners look to attract finance, UNOPS will scale up its support in a variety of ways including through the enhanced use of the tools mentioned above, by providing advice on how to prepare for investment roadshows or participate in SDG fairs in support of UN DESA, and by further leveraging its relationships with DFIs, ODA providers and philanthropies.

16. UNOPS' successful strengthening of its enabling role will be marked by two outcomes as below.

- a. **Successful outcome 1:** The enabling environment is strengthened and a greater number of project pipelines are prioritised by funding sources/finance.
  - i. Through sound technical assistance, a greater number of projects are economically viable, thus attracting sustainable finance and meeting the bankable-project demand.
  - ii. Government partners are better able to prioritise well prepared and SDG-aligned project portfolios, as these will lead to tenders that attract competitive bids from project developers and financing institutions and benefit from UNOPS' increased support to tender and award processes through its 'fair and transparent public procurement' process.
  - iii. Studies in sectors such as energy, health, education, climate and the environment are enhanced by UNOPS to better support the planning and prioritisation of infrastructure portfolios and projects. (UNOPS has already set up a number of Mission Knowledge Hubs to foster internal capacity building in a number of thematic areas relevant to project design and implementation).
  
- b. **Successful outcome 2:** Project portfolios are successfully tendered and awarded; funding is effectively mobilised and available for project implementation; and technical assistance on contract oversight and supplier supervision, and infrastructure lifecycle management is provided.
  - i. UNOPS delivers a greater number of project and programme management services on the basis of adequate financing, including for the financing of capacity-building development, tender and award, contract oversight and supplier supervision. UNOPS' experience of delivering projects in difficult contexts incorporates risk management and monitoring approaches to minimise delays and budget overruns in construction and operation.
  - ii. UNOPS continues to provide technical assistance on Infrastructure Asset Management approaches, which further enhance the value of assets and their contribution to the SDGs. The design and implementation of global sustainability standards, monitoring and reporting on impact is included.
  - iii. In supporting the implementation of cross-sector agendas, such as green infrastructure projects, internationally recognized sustainability standards and criteria, such as gender inclusive projects, sustainable, responsible, efficient and quality implementation, are used.