

# **“The Role of Institutional Investors in Financing Infrastructure Projects: Opportunities and Risks”**

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# Importance of infrastructure development

- ▶ Important for economic growth;
- ▶ Increases competitiveness;
- ▶ Improves social well-being;
- ▶ Infrastructure projects are labor-intensive (job creation);
- ▶ Improves quality of life;
- ▶ Attracts investments;
- ▶ Regional trade and integration;

# Importance of institutional investors

- ▶ Vital role in the global financial system;
- ▶ Suitable for long-term development financing;
- ▶ Large and stable capital base;
- ▶ Diversified portfolio;
- ▶ They can promote sustainable and responsible investing;

# Opportunities and risks

OPPORTUNITIES	RISKS
<b>Portfolio Diversification</b>	<b>Regulatory and Political Risk</b> (Policy changes, government instability, or nationalization can disrupt projects)
<b>Stable Cash Flows</b> (Many infrastructure projects generate predictable revenue over long periods)	<b>Illiquidity</b> (Infrastructure assets are not easily sold or traded, posing liquidity concerns)
<b>Social Impact</b> (Investing in infrastructure can enhance ESG performance and public image)	<b>Project Risk</b> (Delays, cost overruns, or poor execution can reduce returns)
<b>Policy Support</b> (Many governments now encourage private sector involvement)	<b>Currency and Exchange Rate Risk</b>

# Research Objectives

- ▶ Analyze the growing role of institutional investors in infrastructure financing;
- ▶ Identify the key opportunities they provide to the infrastructure sector;
- ▶ Examine the risks associated with such investments;
- ▶ Propose policy recommendations for effective collaboration between public and private stakeholders;

<b>Sector</b>	<b>Risk</b>	<b>Average Expected Return (%)</b>
Social Infrastructure	Low	5–8
Regulated Utilities	Low–Medium	8–10
Roads	Low–Medium	8–12
Airports	Medium	10–15
Seaports	Medium	11–16
Freight Rail	Low–Medium	12–16
Telecommunications	High	12–18
Commercial Energy Production	High	14–20

# Policy and Strategic Implications

To improve the role of institutional investors in infrastructure:

- ▶ **Clear regulatory frameworks;**
- ▶ **Risk-sharing mechanisms;**
- ▶ **Standardized investment platforms;**
- ▶ **Enhanced data and transparency;**
- ▶ **Capacity building for both investors and public institutions;**

# CONCLUDING REMARKS

- ▶ Institutional investors have the potential to bridge the infrastructure financing gap, especially as public finances come under pressure;
- ▶ careful risk management, strong regulatory support, and transparent governance structures are key to unlocking this potential;
- ▶ A strategic partnership between the public and private sectors is essential to build sustainable and impactful infrastructure;