



INTERNATIONAL CENTRE
FOR PENSION MANAGEMENT

ICPM DOMESTIC INVESTMENTS WORKING GROUP

Unlocking Domestic Investment Opportunities

Aligning Public Goals with Pension Fund Realities

Unlocking Domestic Investment Opportunities^{1,2}

Executive summary

Domestic institutional capital holds immense potential to finance public priorities such as infrastructure, housing, and the energy transition. Yet in most countries, that capital remains underutilized. This guide offers a practical framework to address this gap. Its core message is simple: capital doesn't respond to persuasion but to structure and incentives.

Institutional investors operate under fiduciary, legal, and governance constraints. For a project to attract their capital, it must fall within what we call the “investible window”, where expected returns, governance rights, project scale, liquidity, cost, sustainability criteria and development stage align with investor requirements.

Drawing on global examples, investor input and two working group surveys, this guide helps governments and public agencies:

- Understand how institutional investors assess risk, control, and policy stability;
- Design partnerships and business structures that align with the funds' fiduciary realities;
- Build a stable regulatory, legal, and institutional environment conducive to institutional investment.

It also includes practical tools: project checklists, legal design questions and fund-matching guidance.

The opportunity is clear: capital is available. The challenge is alignment. Governments that focus on clear structures, credible rules, and arm's-length governance can unlock long-term domestic capital, at scale and on commercial terms. There is potential for governments who can satisfy the “investible window” to not just attract domestic capital but also the much deeper pool of global institutional capital.

1 We thank participants of the ICPM June 2025 Survey for their input. We also thank the following individuals for their valuable contributions to this project: Pierre Emelina (McGill), Viktor Filipan (APG), Federico Galizia (IFC), Jamie MacLean (ICPM), Jan-Willem Ruisbroek (APG), and Chimin Sam (TCorp).

2 Disclaimer: The views expressed in this article are those of the members of the Working Group and do not necessarily reflect the views or policies of ICPM or any organization they are affiliated with.

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1 — Introduction

Purpose

This guide provides a practical framework for governments and institutional investors to work together in unlocking domestic investment opportunities. Its purpose is to clarify the conditions under which long-term capital can flow into domestic priorities such as infrastructure, housing, and energy transition. The guide emphasizes that successful mobilization of capital depends less on appeals or mandates and more on well-designed structures, credible governance frameworks, and appropriate risk-return considerations.

About ICPM

The **International Centre for Pension Management (ICPM)** is a global network of leading pension funds and academic partners dedicated to advancing long-term investment best practices. This guide reflects the work of an ICPM member-led working group and represents ICPM's role as a neutral platform: not prescribing how much capital should be invested domestically but instead clarifying what makes such investments viable and desirable within fiduciary boundaries.

Who This Guide Is For

The primary audience is **governments and public finance institutions** seeking to mobilize domestic capital, including finance ministries, infrastructure agencies, investment promotion bodies and public investment vehicles. It is equally intended for **institutional investors** who seek clarity on the conditions under which domestic investments can align with their mandates and who may want support for their discussions with public institutions on these topics.

Context

Across many countries, the political imperative to finance long-term development intersects with the fiduciary requirements of institutional investors. Pension funds and sovereign wealth funds are natural partners as long-term, stable, and professional managers of capital. But their participation requires well-established business models that deliver commercial returns and have a strong governance structure. The **investible window** is introduced as the framework that captures these conditions.

Why Domestic Investment Matters

Domestic investments can offer natural advantages such as currency alignment, protection against domestic inflation, and alignment with public legitimacy. However, they also pose heightened political, concentration and governance risks. Understanding this trade-off is crucial. Governments that design

attractive and credible investment structures will unlock not just domestic pools of capital but also the much larger pool of global institutional capital.

How This Guide Is Structured

This guide follows a structured approach that moves from understanding to application. We begin by defining the “**investible window**” framework that governs institutional investment decisions and then examining how investors currently approach domestic allocations. With this foundation established, we explore how different **investment models** work in practice, focusing on infrastructure as a key sector. The guide then shifts to strategic implementation, outlining specific approaches governments can use to bring projects into the investible window, supported by real-world case studies that **demonstrate successful partnerships**. We conclude with **practical tools and checklists** that readers can immediately apply to assess and improve their own domestic investment frameworks.

Throughout the guide, we emphasize that institutional investors and governments must work as strategic partners, respecting each other’s constraints and objectives to create structures that serve both public priorities and fiduciary obligations. The focus remains on actionable insights over theoretical discussions, providing the concrete tools needed to bridge the gap between public priorities and private capital.

2 — The Investible Window

2.1 Definition

Pension funds have a well-established fiduciary duty to ensure the assets are invested in the best long-term interest of their beneficiaries. Although the scope of the fiduciary duty may vary depending on the jurisdiction and fund type, a common feature is the need to generate sufficiently high and stable financial returns to ensure that plan members receive their pension payments.

In this context, pension funds are willing to allocate capital to domestic investments when those investments meet a defined set of conditions that align with their fiduciary duty. These conditions form what we call the “Investible Window”: the space where project characteristics are financially attractive, legally stable, and operationally viable within a long-term, risk-managed portfolio.

Definition: Investible Window

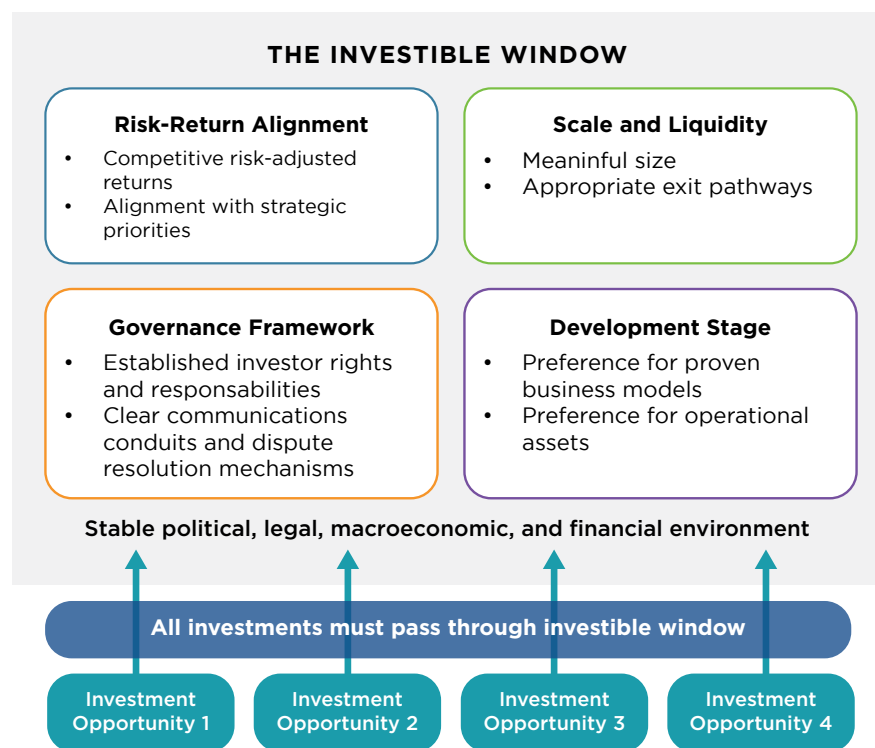
The specific set of legal, financial, and governance conditions that must simultaneously exist for institutional capital to flow into domestic projects while meeting fiduciary duty.

While the exact contours of the investible window may vary across institutions (particularly for sovereign wealth funds and pension funds with dual mandates such as La Caisse, the large public-sector pension fund in Quebec, Canada), there is broad consistency in how institutional investors assess investment readiness. Understanding and designing around this investible window is essential for governments and development partners seeking to attract private capital to domestic priorities.

2.2 Dimensions of the Investible Window

Figure 1 presents the investible window graphically. The window has an outer layer capturing the macro-environment and an inner layer comprised of four inter-related dimensions that characterize a project's characteristics.

Figure 1: Investible Window



Dimension 1: Risk and Return Alignment

The investment must offer a competitive risk-adjusted return relative to global alternatives.

- **Compensated risk:** Projects carrying elevated levels of market, political, liquidity, or development risk are typically not considered by pension funds unless they offer commensurately higher returns or are actively de-risked through public-sector instruments.
- **Diversification:** Funds evaluate projects from a total portfolio perspective and work hard to diversify most of the project-specific investment risk away. Large and concentrated risk exposures limit diversification benefits.

- **Benchmarks:** Benchmarking against global peers is the norm. The fact that a project is domestic is not sufficient justification for sub-commercial returns.
- **ESG:** Many funds integrate financially material ESG factors into risk-return decisions. Sharing ESG expectations with governments helps to ensure clarity and accountability.

Dimension 2: Scale and Liquidity

Institutional capital must be able to flow in and out at meaningful scale and within manageable liquidity constraints.

- **Scale:** Minimum ticket sizes must be significant relative to assets under management. For pension funds, this ensures meaningful portfolio impact given the amount of time spent reviewing the transaction.
- **Liquidity:** Illiquid assets (e.g., Infrastructure, Private Markets) are viable only to the extent they fit within carefully calibrated liquidity buffers.
- **Market gaps:** Fragmented or underdeveloped markets struggle to meet these needs without aggregation mechanisms or fund platforms.

Dimension 3: Governance Framework

Long-term investments require clear and enforceable contracts and strong governance mechanisms backed by effective institutional capacity.

- **Investor rights:** Rights and responsibilities of individual investors need to be clearly established. These rights define decision-making authority and clarify control over project components.
- **Conflict resolution:** Independent conflict resolution bodies allow for prompt recourse.
- **Alignment:** Different investor types and public agencies have different timelines and priorities. Pension funds are typically long-term, buy-and-hold investors but their liquidity needs may evolve over time. Private equity partners may operate on shorter horizons, while governments may emphasize public-good outcomes. Contracts and governance structures that anticipate and manage these divergences (especially during periods of stress) help sustain alignment and preserve investibility.

Dimension 4: Development Stage

Institutional investors generally prefer assets that are operational or “core,” with proven business models and predictable cash flows. This may be more true for pension funds than for sovereign wealth funds and other investment organizations with broader mandates.

- **Early-stage projects:** Greenfield or early-stage projects carry construction, permitting, and execution risks, which often put them outside the investible window.
- **New sectors:** New sectors and unproven technologies carry significant levels of uncertainty, which also tend to put them outside the investible window.

2.3 Broader Considerations

Beyond the project-specific investment criteria, several contextual enablers can help shift projects into the investible window (the outer layer of the window in Figure 1). These enablers do not override fiduciary constraints but can significantly improve the investment case if well designed and implemented.

- **Expectations About Partnership:** A clear understanding from governments about what they want from the partnership (term, control, ownership, cash flows and possibly economic development in certain regions, sectors or with certain demographics) is a necessary starting point.
- **Political Stability and Governance:** A predictable, rules-based political environment reduces perceived risk and reinforces contract stability.
- **Macroeconomic Fundamentals:** Low inflation volatility, credible monetary policy, and institutional strength underpin investor confidence and improve pricing of risk.
- **Government Support Mechanisms:** De-risking tools such as first-loss capital, credit guarantees, and blended finance structures can enhance return profiles and make earlier-stage opportunities viable.
- **Infrastructure Planning, Procurement, and Coordination:** Large infrastructure projects often involve multiple regulators and departments, making coordination difficult. Credible administration infrastructure that connects investors to relevant agencies, ensures responsiveness and coordination, and reduces the friction of navigating complex government systems increases the likelihood of satisfying the investible window.
- **Pipeline Visibility:** A published and credible list of upcoming investible projects provides investors with forward visibility and allows for better resource allocation and due diligence planning.

- **Effectiveness of the Business Operating Environment:** Straightforward tax rates and rules can create a clear pathway to investing, reducing costs and time taken to invest.
- **Social License and Legitimacy:** Investments aligned with public interest (such as in housing, clean energy, or healthcare) can enhance a fund's legitimacy, particularly when financial returns are solid and stakeholder expectations are well managed.
- **Market Fundamentals and Depth:** The depth and resilience of the financial system underpin long-term investibility. Key elements include the availability of insurance products, functioning secondary markets, access to credit facilities, the presence of multiple credible investors, and reliable hedging and cross-hedging instruments. For complex transactions, strong local due diligence capacity can also be a decisive factor. Together, these features ensure that capital can flow efficiently and that investment vehicles operate on a sustainable basis.

Actively managing these broader conditions and understanding how they interact with the four project-specific dimensions of the investible window is essential for governments aiming to mobilize institutional capital in service of domestic development goals.

2.4 Variability Across Fund Types

Even though the dimensions of the investible window are broadly shared across the institutional investment community, the flexibility and thresholds within that window can vary significantly depending on the type of investor. Different investors have different mandates, constraints, and capacities. Understanding these variations is essential for governments aiming to tailor engagement strategies and structure opportunities that appeal to the right mix of capital providers. The following table presents a high-level typology of major fund types and outlines implications for domestic investments.

Table 1. Types of Investors

Type of Investor	Typical Characteristics	Implications for Domestic Investment
Large Corporate and Multi-Employer Pension Funds	Strict fiduciary duty, governed by internal investment policy statements and liability-matching models. Risk-averse and return-driven with varying degrees, depending on competitiveness, industry and fund structure (e.g., defined-benefit or defined-contribution)	Require clear commercial returns. Less flexible on early-stage or politically sensitive projects. Need scale and liquidity. Minimal tolerance for reputational or regulatory uncertainty.
Large Public Sector Funds / Sovereign Wealth Funds	Strict fiduciary duty to maximize returns while minimizing risk, have a longer horizon, may have dual mandates (e.g., La Caisse)	May invest earlier in project development cycle. Open to strategic national priorities if commercially structured. Require rigorous governance and arm's-length discipline.
Smaller Pension Schemes and Local Funds	Limited internal capacity for direct investments. Often access alternatives through pooled funds or external managers.	Unable to invest directly in large projects due to size limitations. Need government to create shared investment platforms that pool multiple smaller funds together, reducing individual due diligence burden.
Development Banks, Infrastructure Banks, and Public Financial Institutions	Mission-driven. Have a long-term horizon and often accept concessional returns to catalyze private capital.	Useful co-investors or de-risking partners. Can absorb early-stage risk or provide guarantees that bring projects into the investible window.

Key Takeaway

Governments seeking to mobilize domestic institutional capital must “map the match” between investor type and project characteristics. The same project may be investible for one institution and out-of-bounds for another. Success often comes from designing structures that recognize and accommodate these differences. Examples include layered investment vehicles, public-private consortia, and risk-sharing partnerships. Recognizing that institutional investors are not interchangeable is a first step toward building effective, durable engagement.

2.5 Expanding the Window

As the previous section highlights, the flexibility and thresholds within the investible window can vary depending on the type of investor. Importantly, these thresholds are not static, and governments have the ability to expand or reduce them. Each of the four dimensions of the investible window can be reassessed to explore potential ways overcome limitations and expand opportunities. For example, policies that strengthen pension funds' independent governance, in-house investment expertise, and ability to invest with a long-term focus can make it easier for funds to invest in complex early-stage projects. Such policies effectively expand the Development Stage dimension of the funds' investible window.

3 — Domestic Investment Trends and Challenges

3.1 Observed Patterns of Domestic Investment

Institutional investors have become increasingly global in their portfolio allocations over the past two decades, but this shift has not been uniform across all asset classes. The concept of “home bias” still exists, although it varies considerably depending on the nature of the asset and the maturity of the capital market.

Home bias: definition

Home bias refers to the tendency of institutional investors to allocate a disproportionately large share of their investment portfolios to domestic assets, meaning a higher allocation than would be expected based on the country’s share in global financial markets.

Listed Equities have seen the steepest decline in home bias, particularly in smaller or mid-sized markets. Many pension funds now operate under highly diversified public equity mandates where foreign equities make up a majority of holdings. In some markets, domestic equity exposures are under 10% of the total listed equity portfolio, reflecting both declining domestic market depth and the availability of global options with better diversification and liquidity characteristics.

Real Estate and Infrastructure, by contrast, tend to retain a stronger domestic orientation. These asset classes often benefit from a local edge in sourcing, oversight, and legitimacy. In our survey (Section 7), over 70% of respondents reported being actively, but mainly informally, encouraged by their governments to invest more in domestic infrastructure, housing, and energy-related projects. This encouragement has been particularly pronounced in Australia, Canada, and the United Kingdom.³

Fixed Income allocations remain heavily domestic for regulatory and currency alignment reasons. In many jurisdictions, government bonds still form the core of risk-free allocation and serve liability-matching purposes. However, some institutional investors have diversified their bond portfolios internationally in search of yield, particularly during the global low-interest environment of the 2010s.

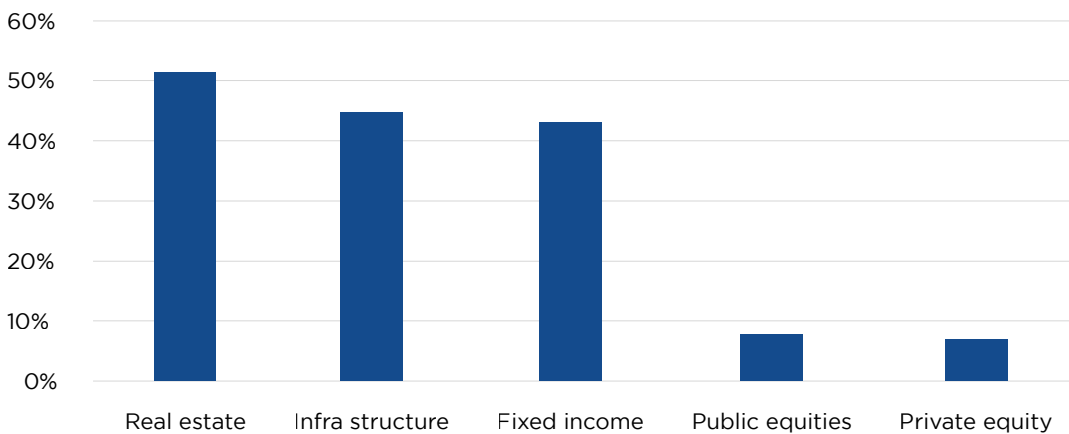
Private Equity and Venture Capital investments continue to be globally oriented. Several funds noted in the ICPM survey that the domestic VC and early-stage ecosystems often lack the scale, governance maturity, or risk-adjusted return profile required to justify substantial allocations.

³ Ambachtsheer, Keith and Betermier, Sebastien and Flynn, Chris, 2024, Should Canada Require Its Pension Funds to Invest More Domestically? Global Risk Institute: <https://globalriskinstitute.org/publication/should-canada-require-its-pension-funds-to-invest-more-domestically/>

Across the board, survey respondents emphasized that **fiduciary duty, scale, and legal certainty** were far more influential in shaping allocation patterns than national affiliation alone.

Figure 2 provides a snapshot of the average proportion of domestic investments in particular asset classes from our first survey conducted in March 2025 among the participants of the working group. We observe a higher domestic share in bonds, real estate and infrastructure than in public and private equity.

Figure 2: Proportion of domestic investments by pension funds in Canada, Europe, Australia and the UK



Source: ICPM Survey, March 2025

The survey responses reveal that most institutional investors are not subject to formal mandates requiring domestic investment. While some noted occasional political encouragement or mild incentives, this was neither consistent nor decisive in shaping investment behavior. Few respondents reported structured collaboration with their governments on domestic opportunities, and most emphasized that any political or regulatory pressure to invest locally is managed through strict adherence to fiduciary duties. Overall, domestic investments are not viewed primarily as tools for public image or stakeholder engagement but instead are evaluated like any other investment opportunity.

3.2 Key Drivers of the Decreasing Home Bias

Several structural and policy-level factors have contributed to the reduction in domestic allocations to public equities and other listed markets, while other factors have reinforced domestic investment in sectors like Infrastructure and Real Assets.

Regulatory liberalization has played a major role. As jurisdictions progressively removed or relaxed portfolio restrictions that once favored domestic assets (e.g., “prudent person” rules replacing quotas), pension funds have sought better diversification and higher returns offshore.

Currency and hedging strategies have become increasingly sophisticated. Better tools to manage foreign exchange risk have made global allocations more feasible and more attractive, especially for large funds that can implement hedging cost-effectively.

Domestic market limitations are also a factor. In some smaller or less developed capital markets, institutional investors cannot easily deploy meaningful capital at home without taking on excess concentration risk. Fragmented project pipelines, inconsistent regulation, and shallow financial markets limit domestic scalability, particularly in infrastructure, private equity, and alternatives.

Meanwhile, **liability matching** remains a strong motivator for maintaining domestic exposure in fixed income. Funds that are locally denominated (e.g., Canadian or UK defined benefit pension funds) maintain a portion of assets in the domestic currency to offset future liabilities.

Overall, while **some domestic exposure is structurally necessary**, long-term trends point toward **increasing global diversification**, unless governments deliberately design investible opportunities that meet institutional investment criteria. Without intentional alignment of legal structures, governance models and risk-return profiles, domestic projects will continue to be bypassed in favor of global alternatives that fall more squarely within the investible window.

3.3 Survey Insights: What Investors Say About Domestic Investments

To ground this guide in current investor sentiment, the ICPM Working Group conducted a second survey in June 2025 among 50 representatives from approximately 30 funds in ICPM’s global network. Collectively, respondents manage approx. US\$3 trillion in assets. Their feedback reinforces earlier findings and highlights persistent structural challenges. The Appendix provides a full overview of the questions and answers.

Key Enablers

The top three factors cited as enablers of domestic investment were:

- Attractive risk-return profile (86%)
- Stable legal and regulatory environment (78%)
- Transparent, well-prepared project pipelines (30%)

Other notable drivers included alignment with beneficiary values and the presence of government co-investment or de-risking tools.

Key Barriers

The top constraints identified by investors were:

- Inadequate return for the risk (70%)
- Regulatory or political uncertainty (54%)
- Misalignment with fiduciary duty (48%)
- Projects too small or fragmented (40%)
- Reputational or public scrutiny risks (30%)
- Lack of transparency or deal pipeline (16%)

Several respondents also mentioned lengthy approval processes, excessive value extraction by intermediaries, and the broader global opportunity set limiting domestic focus.

Government Pressure and Partnership

- 63% of respondents had been frequently (28%) or occasionally (35%) encouraged by governments to invest more domestically.
- Sectors mentioned most frequently: Infrastructure, Housing/Real Estate, (Renewable) Energy, Venture Capital / Growth Capital and Defense.
- However, only 29% had worked successfully with governments on domestic investments.
 - Positive experiences often involved co-creation, clear pipelines, and structured engagement.
 - Less successful ones cited policy reversals, slow execution, or the politicization of the investment process.

High-Potential Sectors

When asked about sectors with the highest future potential for domestic capital, respondents mentioned:

- Infrastructure (86%)
- Renewable energy (64%)

- Digital infrastructure (42%)
- Affordable housing (38%)
- Other mentions included healthcare/education facilities and natural capital.

Legitimacy and Trust

- 45% believed a stronger domestic investment strategy could enhance stakeholder trust in their fund (12% significantly, 33% somewhat).
- 24% saw no benefit, while 31% were unsure.
- Several emphasized the importance of alignment with financial materiality over political mandates.

Suggestions from the Field

Investors called for:

- More effective aggregation vehicles
- Clearer government strategies and long-term commitments
- Improved data on the broader impact of investments and ESG
- Respect for fiduciary constraints
- Focus on attractive risk-return profiles rather than forced allocations

“We think that governments should focus on ensuring domestic investments provide an attractive risk/return profile rather than attempting to force investors to increase domestic allocations,” one respondent summarized, echoing the broader sentiment that commercial viability trumps political pressure.

4 — Sector Deep Dive: Infrastructure Investment

4.1 Reality Check

Infrastructure is consistently identified as one of the most promising sectors for mobilizing long-term institutional capital. It aligns well with many pension and sovereign funds' liability structures, return horizons, and inflation-protection goals. Moreover, infrastructure projects (particularly in transport, energy, and digital connectivity) are often at the center of national development strategies.

However, a frequent observation from institutional investors is that governments often approach infrastructure investment without a clear strategic objective. They seek private capital for infrastructure, housing, or clean energy, but often have difficulty articulating what they want in terms of control, outcomes, duration of the investments (exit strategies) and trade-offs.

This ambiguity leads to poorly structured projects, unrealistic expectations, and conflicting messages across agencies, and therefore makes it challenging for projects to fall into the investible window. It is not enough to say, "We want private investment." Governments must first clarify their own objectives and then assess whether their frameworks and institutions are equipped to attract and retain long-term capital.

4.2 The APG Approach: Investment Models and Key Variables

APG, one of the world's largest pension investors based in the Netherlands, considers infrastructure investments across a spectrum of well-established business models, each with distinct characteristics in terms of ownership, control, and cash flow model.

Table 2. Three Private Business Models for Public Infrastructure

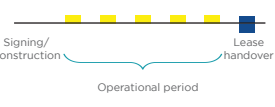
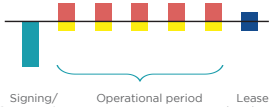
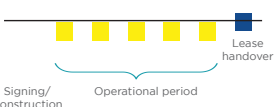
Model	Examples	Typical Investor Role
Regulated Business Model	Energy grids, water utilities	Direct equity (ownership) stakes in companies which operate under a regulatory regime with clear rate-of-return formulas
Concession Model	Toll roads, airports	Direct equity (ownership) or co-investment with risk-sharing over a defined contract term
Public-Private Partnership (PPP) Model	Hospitals, schools, roads, social infrastructure	Special purpose vehicles with blended finance; risk typically shared across construction, operations, and availability payments

Each model presents different answers to fundamental government questions:

- **What is the government getting from the partnership?** In the regulated business model, the government sells an existing and operational asset to the private investor and receives a positive cash flow upfront. The private investor then receives ongoing revenue through consumer energy bills. By contrast, in the concession model, the private investor acquires the right to develop a new asset, pays concession fees to the government, and then receives ongoing revenue from end consumers. And in the PPP model, the private investor develops the asset and then receives a fixed remuneration over time directly from the government.
- **How much control does the government wish to retain?** In the regulated business model, the private investor owns the asset indefinitely. In the concession model, the private investor controls the asset over a pre-determined period of time. In comparison, in the PPP model the government owns the asset while the private investor develops and/or operates it.
- **How long does the government wish the partnership to last?** The regulated business model is permanent while the concession and PPP models have fixed terms. The concession model usually has a relatively short term (10-20 years) whereas the PPP model has a longer term (20-35 years).

Figure 3 compares the three infrastructure investment models and highlights differences in contract terms, pricing, cashflows, and governance. It shows how revenue is set (by regulators, governments, or markets), who pays (consumers or government), and how cashflows are distributed between public and private actors over time. The chart also illustrates the degree of control retained by governments versus private investors, emphasizing that each model carries distinct budgetary implications and governance arrangements.

Figure 3 Business models with different budgetary implications

Model	Term	Price Setter	Price Payer	Cashflow Government	Cashflow Private Investor	Governance
Regulated business	Permanent	Private bidders compete to purchase the company	Prices are paid by end consumers			Private investor
Concession	10-20 years	Private bidders compete for concession terms	Prices are paid by end consumers ; part of the proceeds are used to pay concession fees to the gov't			Private investor retains more control
Public-Private Partnership	20-35 years	Private bidders compete for fixed remuneration	Government pays fixed remuneration over time			Government retains more control

■ Construction cost ■ Prices paid by end consumers ■ Lease Handover ■ Fees paid/received from gov't

For APG, assessing government priorities and the appropriate level of public control is critical to understanding a project's strategic importance, resilience and potential for long-term financial performance. Additionally, clear alignment on the appropriate business model helps both the fund and the government to converge on the appropriate contract structure and governance framework and make sure the project falls inside the investible window.

4.3 From Theory to Practice: Applying the Approach

Three infrastructure investments demonstrate how infrastructure assets can be structured under different models, with distinct implications for ownership, control, and cashflows.

Example 1. Regulated Business Model: Terna (Italy)

Terna operates Italy's high-voltage electricity transmission network under a so-called Regulated Asset Base (RAB) model. The independent regulator, ARERA, sets multi-year determinations that remunerate the RAB with an allowed rate of return and tariff mechanisms. In 2024, approximately 84% of Terna's €3.68 billion revenue came from regulated activities, underlining the stability of this model. EBITDA reached €2.57 billion (+18% year-on-year), supported by a €17.7 billion capex program for 2024-2028 aimed at grid modernization.

- **Investor role:** Long-term shareholder.
- **Control:** Governance through board representation; strategic oversight rather than operational involvement.
- **Revenue:** Transmission tariffs set by ARERA; allowed returns on RAB with periodic regulatory resets.
- **Risk:** Limited exposure to demand/volume fluctuations. Primary risks relate to regulatory resets and execution of large-scale capex, mitigated by transparent and predictable regulation.

This example highlights how the regulated business model provides predictable earnings, protection from demand shocks, and long-term visibility for investors.

Example 2. Concession Model: INDAQUA (Portugal)

INDAQUA operates under a concession model where the private operator designs, finances, operates, and maintains water infrastructure under long-term contracts with municipalities. The operator is remunerated through the water utility bills of the end consumer.

- **Investor role:** Controlling stake; full operational responsibility
- **Control:** High; responsible for capital planning, service delivery, and efficiency
- **Revenue:** Paid by end users through tariffs
- **Risk:** Exposed to demand, operational, and regulatory risks

This model gives the investor commercial autonomy but requires local engagement, operational expertise, and resilience to policy changes.

Example 3. Public-Private Partnership: Delfluent (Netherlands)

In the Netherlands, Delfluent Services BV manages wastewater treatment under a PPP structure. The public authority pays fixed availability fees over time in exchange for the provision of service, provided performance standards are met. The asset remains publicly owned, and operational control is delegated under a contract.

- **Investor role:** Construct and maintain the asset through a special-purpose vehicle (SPV)
- **Control:** Defined by performance contracts; government retains oversight
- **Revenue:** Fixed availability fees from public authority
- **Risk:** Limited demand risk; focused on construction, operational, and performance delivery

This model enables private investment in essential public infrastructure while keeping ownership and policy direction within the public sphere.

The three examples above demonstrate that well-structured investments can deliver stable and attractive returns. However, success is never guaranteed. Even when the contractual framework, risk allocation, and governance mechanisms appear sound, external shocks and misalignment between investors and regulatory authorities can still undermine performance. The recent difficulties of Thames Water and South East Water in the UK illustrate this point. Despite operating under a regulated and theoretically stable framework, operational shortcomings in combination with significant leverage created financial strain. This underlines the importance of ongoing vigilance beyond the initial structuring of a deal.

4.4 Building a Robust Governance Structure

Large infrastructure investments are operationally complex and often regroup multiple investors that may have differing risk appetites, investment objectives, and return expectations. Once a business model is selected, building a rigorous governance structure is necessary in order to establish a common foundation among the government and the different types of institutional investors.

Business Structure. Good governance starts with the establishment of a robust business structure – usually in the form of a special purpose entity (SPE).⁴ A SPE is a separate legal entity, structured

⁴ Sainati, Tristano; Brookes, Naomi; Locatelli, Giorgio (2017). “Special Purpose Entities in Megaprojects: Empty Boxes or Real Companies? A Literature Review.” *Project Management Journal*, 48(2), 55–73. <https://doi.org/10.1177/875697281704800205>

as a limited company, that is used to hold a single asset or a portfolio of similar assets, along with associated permits and contractual rights. SPEs serve a variety of functions, including project financing, asset ownership and governance, regulatory compliance, tax efficiency, and transparency and accountability. SPEs also enable complex financing structures by segregating different layers of equity—such as senior equity, mezzanine financing, and subordinated equity. In short, this business structure simplifies asset transfer, management, and financing.

Investors' Rights. At the heart of SPEs are the various rights held by individual investors that constitute governance and enable effective collaboration between public and private stakeholders. These rights are vital for promoting accountability, transparency, and alignment of interests. They establish the framework for decision-making, delineate authority over specific project components, and provide mechanisms for managing and resolving conflicts:

- **Approval Rights** refer to the contractual authority granted to certain stakeholders—typically lenders or equity investors—to consent to, reject, or veto specific actions undertaken by the SPE's management or board. These rights are embedded in the entity's governing documents to safeguard stakeholder interests, particularly in transactions involving securitizations, material asset dispositions, insolvency proceedings, or other significant corporate actions. Such provisions are critical to ensuring proper risk oversight and alignment with the financial and operational objectives of the transaction.
- **Liquidity Rights** refer to the contractual mechanisms that allow investors to access cash or exit their investment under predefined conditions. These rights are designed to facilitate investor liquidity through agreed-upon processes, mitigating the impact of individual liquidity events on other investors. Liquidity provisions often include detailed terms around exit pathways and intra-SPE transactions, such as tag-along and drag-along rights, co-sale provisions, transfer restrictions, IPO participation rights, and right of first offer (ROFO) or right of first refusal (ROFR) mechanisms. These rights enhance transparency, align investor expectations, and provide a structured framework for secondary-market transactions and capital recycling.
- **Preemptive rights** are a critical shareholder protection mechanism that allows existing equity holders to maintain their proportional ownership in the event of new equity issuances. These rights grant shareholders the opportunity to participate in new issuances before shares are offered to external investors, thereby mitigating dilution risk. Preserving ownership percentage is particularly important in scenarios where control and governance influence are tied to equity stakes, as dilution can materially impact a shareholder's ability to influence strategic decisions and value creation initiatives. For incumbent investors, preemptive rights also serve as an incentive to reinvest because they offer assurance that the investors' relative position in the capital structure will be protected during future capital raises.

Note that while many privatization and partnership models have delivered stable outcomes, not all experiences have been positive. Cases such as the UK water utilities underline the risks of weak oversight, excessive leverage, or misaligned incentives. Academic critics⁵ have highlighted the dangers of over-reliance on privatization without robust governance safeguards. Recognizing such critiques underscores the need for vigilance even when contractual frameworks appear sound.

⁵ For example: William Lazonick, Mariana Mazzucato, The risk-reward nexus in the innovation-inequality relationship: who takes the risks? Who gets the rewards?, *Industrial and Corporate Change*, Volume 22, Issue 4, August 2013, Pages 1093–1128, <https://doi.org/10.1093/icc/dtt019>

5 — Strategic Framework for Governments

This chapter presents a strategic framework that governments can use in order to attract institutional capital. We begin by laying out several sets of questions that governments and institutional investors must ask themselves. These questions provide a practical self-check to assess whether projects have the potential to fall within the investible window. We then highlight five strategic levers governments can use in order to bring assets into the investible window.

5.1 Ten Questions for Governments to Ask Themselves

To move beyond vague ambition and structure credible projects, governments must first engage in a dual reflection:

A. What does the government want?

1. What is our core objective: risk transfer, fiscal space, improved service delivery, or innovation?
2. How much control are we willing to delegate to private actors and for how long?
3. Are we aiming to obtain short-term financing relief or foster an environment that consistently attracts private capital?
4. Is the asset politically sensitive? Will public scrutiny constrain operations?
5. How does this project fit within our broader infrastructure and fiscal strategy?

B. Are we ready for institutional capital?

6. Is the legal and regulatory framework stable, with clear investor protections and credible dispute resolution mechanisms?
7. Have we clearly defined investor rights and responsibilities, including exit mechanisms allowing investors to sell, refinance, or transfer their holdings under fair and transparent terms?
8. Is procurement standardized and transparent?
9. Do we have the local capacity (legal, financial, regulatory) to oversee and enforce the deal?
10. Do we understand potential investment partners' objectives and constraints?

Together, these ten questions provide a realistic self-check for governments and reflect how institutional investors themselves will evaluate a deal.

5.2 Five Questions for Institutional Investors to Ask Themselves

Governments are not the only actors who must reflect. Institutional investors also face internal debates about domestic infrastructure and other investments. These five questions can help clarify whether a project aligns with fiduciary and strategic objectives:

1. Does the investment offer competitive risk-adjusted returns compared to global peers?
2. Is the country's legal and institutional framework sufficiently predictable?
3. Does the asset offer scale and liquidity aligned with our portfolio requirements?
4. Are the reputational and political risks acceptable under our public mandate?
5. Do we have the internal capacity and expertise or external partnerships to manage this asset class locally?

5.3 Strategic Levers

To address the questions above and bring assets into the investible window, governments can use the following five levers.

Lever 1: Design Business Structures that Align with Fiduciary Realities

Investible Window: risk-return alignment, scale and liquidity, governance

The starting point is the design of the individual business structure. A compelling project must meet baseline standards on return potential, legal enforceability, and governance.

Key design elements:

- **Commercially viable returns:** Especially for projects with long construction periods, political sensitivity, or currency exposure.
- **Contractual clarity:** Standardized, enforceable agreements with independent dispute resolution.
- **Governance discipline:** Structures must avoid giving the public sector unchecked operational control or political override over investment terms.

Design matters: minor changes in financial architecture or legal design can determine whether a project is investible or not.

Lever 2: Strengthen the Enabling Environment

Investible Window: macro-level outer layer

Even the best-structured projects need a supportive system to truly succeed. Investors look at the legal, regulatory, and institutional environment that surrounds the deal.

Enabling conditions that matter:

- **Stable regulatory frameworks:** Reduce retroactive changes to concessions or tariff rules.
- **Legal predictability:** Clear tax treatment, ownership rights, and investment protections codified in law.
- **Transparent procurement:** Competitive bidding, published pipelines, and standardized procedures reduce transaction costs and increase trust.

The legal and institutional environment is a filter. If it fails, no project will make it through.

Lever 3: Signal Policy Commitment Over Time

Investible Window: governance, development stage, macro-level outer layer

Long-term institutional investors are especially sensitive to policy reversals. Even well-structured deals can be undermined if political signals suggest instability or short-termism.

Tools governments can use to signal credibility:

- **Long-term infrastructure strategies:** Backed by multi-year public funding and cross-party support.
- **Independent agencies:** Planning and investment authorities insulated from election cycles (e.g., Infrastructure Australia).
- **Co-investment by the state:** Signals confidence and provides alignment on risk and upside.

Trust is built not only through rules, but through institutions and behavior.

Lever 4: Respect Fiduciary and Governance Boundaries

Investible Window: governance, scale and liquidity, macro-level outer layer

Pension funds are not economic development policy tools. Government initiatives that seek to “influence” investment decisions through informal pressure or patriotic appeals often backfire.

What works instead:

- **Investment platforms** with clear public/private governance split.
- **Risk-mitigation tools** such as first-loss capital, guarantees, or blended finance — without compromising commercial integrity.
- **Legal safeguards:** Protecting minority rights and ensuring viable exit mechanisms.

Successful public-private partnerships preserve the arm’s-length nature of institutional investment.

Lever 5: Facilitate Access and Scale for Smaller Funds

Investible Window: scale and liquidity, development stage

Many smaller or local pension schemes are willing to invest domestically but lack internal capacity or deal flow access. Government can play a catalytic role here.

Enabling mechanisms include:

- **Aggregation platforms:** Pool capital from smaller funds into scalable vehicles (e.g., Canada Growth Fund).
- **Fund-of-funds structures:** Reduce due diligence burdens.
- **Technical assistance:** Project preparation support to bring more projects into institutional-grade territory.

Aggregation solves both the scale problem and the capability gap.

6 — Case Studies: Successes

Understanding what enables or discourages domestic investment in practice requires moving beyond theory. This section presents selected case studies that illustrate how different governments and institutions have successfully approached the challenge.

6.1 Canada: Canada Growth Fund

The Canada Growth Fund (CGF) was established by Canada's Federal Government in December 2022 as a public investment vehicle managing CAD \$15 billion in assets in order to catalyze private investment in clean technology and energy transition infrastructure and create middle-class jobs across the country. The fund operates at arm's length from the federal government through a professional asset management platform (PSP Investments), which enables it to combine public policy objectives with institutional-grade investment practices. By leveraging existing pension fund infrastructure while maintaining an independent governance structure and distinct investment mandate, CGF achieves a balance between commercial discipline and strategic alignment with national priorities.

CGF deploys a range of government-backed de-risking tools, including carbon contracts for difference and concessional financing. It finances new technologies such as carbon capture and geothermal energy that may not yet fall into the investible window of institutional investors, perhaps because the projects are too early-stage or small in size. By financing these projects, CGF enables them to grow and develop into “core” assets with proven business models and predictable cash flows. In doing so, CGF brings new assets into the investible window of institutional investors.

Key success factors:

- **Risk-sharing mechanisms:** CGF uses concessional finance to de-risk projects that would otherwise be unattractive to conventional investors. CGF may use carbon contracts for difference and offtake agreements to mitigate market and policy risks in carbon pricing and provide revenue certainty for emerging technologies.
- **Independent governance structure:** CGF is managed by PSP Investments but operates independently with a public policy-driven mandate prioritizing social returns, climate impact, and market transformation.
- **Alignment with national goals:** Investments must support Canada's climate and economic goals, and strengthen Canadian workforce development, IP retention, lower emissions, scale clean technologies, strengthen supply chains and improve competitiveness.
- **Impact measurement and management:** CGF tracks both financial and non-financial outcomes and ensures accountability to the public and alignment with Canada's net-zero goals.

Link to the Investible Window. The CGF case demonstrates how government-backed risk-sharing mechanisms can help satisfy the risk-return and development stage dimensions of the investible window. By absorbing early-stage risks and providing revenue certainty, the Canada Growth Fund brings emerging assets into alignment with fiduciary requirements, making them accessible to institutional capital.

6.2 Australia: State-Level PPP Frameworks and NSW Bonds

Australian states, particularly New South Wales (NSW), have developed consistent, well-structured PPP frameworks that institutional investors regard as highly credible. These projects are typically supported by long-term contracts, clearly defined payment mechanisms, and transparent procurement processes.

A key feature of the Australian model is **asset recycling**: governments build or upgrade public infrastructure, and once the asset becomes operational and de-risked, it is sold to private investors. This approach creates a pipeline of “core” assets—mature, cash-generating projects that align well with institutional investors’ return and risk expectations—while freeing up public capital for new development.

NSW’s **Sustainability Bond Programme (SBP)**, established in 2018, further enhances investor interest by supporting new NSW initiatives and by linking infrastructure debt investments to environmental and social objectives, without compromising on transparency or legal protections. Examples of investments funded by SBP include sustainable water and wastewater projects and transportation projects such as the Sydney metro.

Key success factors:

- **Development stage fit:** Australia’s asset recycling program has resulted in large-scale and operational infrastructure assets becoming available to institutional investors, such as the electricity networks Transgrid and Ausgrid and the ports of Kembla, Botany, and Newcastle.
- **Strong track record:** Australia’s track record of honoring concession terms and investor commitments is reflected in how they have consistently attracted high investor interest.
- **Transparent legal and contractual structures:** SBP projects must be funded through the state’s Consolidated Fund and meet specific environmental or social criteria, ensuring legal clarity and alignment with the NSW Sustainability Bond Framework. Participants are contractually obligated to provide annual reports on project expenditures and outcomes, and reports are independently assured, reinforcing transparency and legal accountability throughout the bond lifecycle.
- **Unified policy framework:** The NSW Sustainability Bond Framework is governed by a multi-agency that evaluates, selects, and monitors eligible projects. The frameworks are globally

recognized to ensure consistency, credibility, and investor confidence in the program's structure and objective.

- **Capacity Building and Cultural Shift:** Participation builds staff capability in sustainable finance and impact measurement. It promotes a culture of sustainability within government entities, influencing project design and execution.

Link to the Investible Window. The Australian model strengthens the scale and liquidity and development stage dimensions of the investible window. By recycling mature, large-scale infrastructure assets and embedding them in transparent PPP frameworks, governments create investible opportunities that match institutional thresholds for size, predictability, and long-term returns.

6.3 The Netherlands: Institutional Investment in Affordable Housing

In the Netherlands, APG (on behalf of ABP, the pension fund for government and education employees in the Netherlands) is making a commitment to tackle the housing shortage by investing in affordable, sustainable rental housing. In May 2025, ABP announced a partnership with global real estate firm CBRE to invest at least 350 million in the construction of 1,000 new affordable homes, with ambitions to expand this investment to 1 billion and 3,000 homes over the next five years, primarily targeting mid segment rent levels of up to 1,300 per month. This is the third partnership ABP has launched in the past two years focused on affordable housing in the Netherlands, as part of its broader impact ambitions.

This initiative exemplifies how institutional capital can align with social goals, leveraging professionally managed investment structures while securing long-term value and stability. It complements APG's broader strategy of using dedicated vehicles that preserve commercial governance and accountability, whilst enabling robust ESG integration. While ABP's commitment to affordable housing reflects a strong alignment with social objectives, it is important to emphasize that these investments are made with the expectation of achieving market-based returns. In other words, the investment strategy is not concessional.

In the Netherlands, land valuation is determined by residual land value. This means that mandatory affordability requirements such as rent caps or quotas for mid-segment housing are translated into a lower revenue potential, which in turn defines the land price and shapes the investment business case. However, this land price is not adjusted downward when an investor voluntarily delivers more affordable units than required, nor is there any guarantee that it will be revised if additional affordability conditions further reduce the residual value.

To make the investment case viable, APG seeks to achieve efficiency gains through innovative

construction methods and economies of scale. These efficiencies help offset the impact of lower rental income. The viability of such investments therefore depends more on structural factors such as legal certainty and long-term policy stability than on preferential land pricing.

Key Success Factors:

- **Strong policy alignment without compromising fiduciary governance:** ABP's commitment to a socially impactful yet financially disciplined investment model.
- **Market based rent setting mechanisms:** The presence of these mechanisms ensures affordability while maintaining commercial sustainability.
- **Sufficient project scale and legal stability:** The large-scale and regulated nature of these developments supports institutional investment thresholds.
- **Structured partnerships and scalable ambition:** The 350 million initial commitment, with plans to scale to 1 billion, signals both depth and credibility to the market.
- **Strategic Partnerships:** Collaborations with experienced developers and asset managers such as CBRE Investment Management and Greystar enable ABP to access high-quality projects and leverage operational expertise.
- **Social Impact and Participant Relevance:** ABP's investments are designed to benefit the fund's own participants—such as teachers, police officers, and civil servants—who face housing challenges. This alignment strengthens the fund's mission of building pensions in a livable world.

Link to the Investible Window. This case shows that social impact and participant relevance reinforce rather than sit outside the investible window. Stable rental income, legitimacy among stakeholders, and long-term policy support strengthen the risk-return profile, enabling affordable housing projects to align with fiduciary requirements while meeting public goals. At the same time, the long-term stability of this model is not guaranteed. Recent debates in the Netherlands about rent caps and political interventions illustrate that policy consistency will be critical to sustain investibility in this sector.

6.4 Multiple Types of Win-Win Partnerships

It is clear from the case studies above that there is no single approach to designing win-win partnership between governments and institutional investors. In Canada's example, the government is using a public investment vehicle – the CGF – to transfer risk away from the private sector. In doing so, it aims to attract institutional capital that otherwise would likely not have been secured without the participation of the CGF. By contrast, in Australia's example the government builds infrastructure assets first and then either sells or leases operational infrastructure assets to institutional investors, which have a preference for core assets. In addition, the government also issues bonds to institutional

investors to finance new infrastructure initiatives. Finally, in the Netherlands' example, the government works together with a large pension fund – ABP – to develop a large-scale affording housing program and make the investment financially viable.

Despite the different approaches, the case studies reflect recurring themes seen throughout this guide: the importance of aligning risk and return, providing sufficient scale and liquidity, building strong governance structures and providing legal certainty, and finding the appropriate development stage fit. All initiatives pro-actively aim to bring projects into the investible window of institutional investors while meeting government objectives.

7 — Conclusion and Toolkit

Mobilizing domestic institutional capital is not a communications problem. It is a structural one. Throughout this guide, we have argued that capital will only flow to domestic projects when the underlying legal, financial, and governance architecture fits within the investible window. This means aligning public objectives with the fiduciary, regulatory, and operational constraints that institutional investors face. Patriotic appeals and mandates are not the solution. Institutional capital is not deterred by a lack of interest but by a lack of fit.

This final chapter combines the key takeaways from the guide with practical tools for public decision-makers. The chapter is structured to help stakeholders assess where they are today, identify gaps, and make strategic decisions that help to bring assets into the investible window without compromising public interest or democratic control.

7.1 Recap: What Determines Investibility?

Four core dimensions define whether a project or vehicle falls within the investible window.

Dimension	Investor Question	Government Lever
Risk-Return Alignment	Do the expected returns compensate for the risk?	De-risking tools, co-investment, first-loss capital
Scale & Liquidity	Is the asset large enough and tradable enough to be worth it?	Aggregation platforms, pipelines, blended finance
Governance Framework	Do we have meaningful input and protection as investors?	Stable regulation, enforceable contracts, clear ownership
Development Stage	Is the business model a proven success?	Support permitting and preparation and offer catalytic capital to make early-stage projects investible.

7.2 Toolkit for Government Action

This section offers a set of structured tools and questions designed to help governments move from intent to implementation.

Checklist: Is This Project Investible?

Use this diagnostic tool to assess whether a specific project is likely to attract institutional capital.

Item	Yes / No
1. Ownership and cashflow rights clearly defined	
2. Legal and regulatory framework stable	
3. Exit and refinancing mechanisms in place	
4. Political exposure and fiscal risks managed	
5. Commercial risk-return profile adequate	
6. Procurement process transparent and standardized	
7. Local capacity for oversight and enforcement	
8. ESG and social license issues addressed	
9. Scale and longevity suited to long-term capital	
10. Track record of honoring similar contracts	

If more than 2–3 items are unclear or negative, the project likely falls outside the investible window — regardless of its social value.

Ten questions for legal and governance design

Use these to structure projects and legal frameworks:

1. What is the intended risk-sharing model (Regulated Business, Concession, PPP)?
2. Are investor rights clearly defined (including veto rights and board seats)?
3. Can contracts be enforced through political cycles?
4. How is the asset classified in public accounts, and does this classification create fiscal incentives to alter the deal later?
5. Are exit mechanisms viable, transparent, and consider possible early departure?
6. Are regulatory frameworks codified, and is there an independent dispute resolution body for prompt recourse?
7. Does procurement meet global transparency standards?
8. Are there capital and currency control barriers to investment or repatriation?
9. Can institutional investors act independently of political interference?
10. Does the project align with domestic ESG priorities?

Matching Fund Types to Projects

Not all capital is equal. Different institutional investors have different mandates and constraints.

Fund Type	Best Fit Projects	Key Considerations
Large Corporate & Multi-Employer Pension Funds	Risk-averse, governed by strict policies, focused on returns and liability matching	Need clear commercial returns, prefer large and liquid projects, avoid early-stage or politically sensitive investments
Large Public Sector & Sovereign Wealth Funds	Long-term focus, may have dual mandates, disciplined governance	Can invest earlier, open to strategic priorities if commercially viable, require strong governance
Smaller Pension & Local Funds	Limited capacity, invest via pooled funds or managers	Unable to invest directly in large projects, need shared platforms to reduce due diligence burden
Development & Infrastructure Banks	Mission-driven, accept lower returns to attract private capital	Can de-risk projects, invest early, provide guarantees to make projects viable

Smart roles for government

Governments don't have to do everything, but they do have to do the right things:

- **De-risk early-stage development** (permits, land, feasibility studies)
- **Standardized processes** (procurement, model contracts, pipelines)
- **Offer catalytic capital** (first-loss equity, guarantees)
- **Create platforms** (public-private investment vehicles, fund-of-funds)
- **Ensure transparency, consistency, predictability** (clear pipelines, public dashboards, fiscal discipline)
- Treat institutional investors not as passive financiers or policy tools, but as **strategic partners**.

7.3 A Call to Action

This guide has shown that domestic institutional capital is available. To unlock it, governments must:

- Think like investors, without abandoning public values.
- Design projects that are not only socially valuable but also structurally investible.
- Build institutional trust not just one project at a time, but across the system.

The challenge is not finding money. The challenge is creating **structures that money can trust.**

Appendix

Survey Results - Domestic Investments and Institutional Capital

This appendix contains all answers to the second survey held among funds in the global ICPM network in June 2025. Organizations represented include major pension funds, sovereign wealth funds, and institutional investors from Australia, Canada, Chile, Netherlands, New Zealand, South Africa, Sweden, United Kingdom, and United States.

Q1: Which factors do you see as the biggest enablers for domestic investments by institutional investors? (Select up to 3)

Factor	Percentage	Responses
Attractive risk-return profile	86%	43
Stable legal and regulatory environment	78%	39
Transparent, well-prepared project pipelines	30%	15
Alignment with fund beneficiaries' values	28%	14
Government co-investment or de-risking	24%	12
Large-scale, liquid investment opportunities	20%	10
Other	4%	2

Other responses specified:

- Avoid FX risk
- Size and frequency of investment opportunities - the "market"

Q2: Which factors most often prevent domestic investments from taking place?
(Select up to 3)

Factor	Percentage	Responses
Inadequate return for the risk	70%	35
Regulatory or political uncertainty	54%	27
Misalignment with fiduciary duty	48%	24
Projects too small or fragmented	40%	20
Reputational or public scrutiny risks	30%	15
Lack of transparency or deal pipeline	16%	8
Other	10%	5

Other responses specified:

- Excessive value extraction by intermediaries
- Lengthy multi-tiered approval processes
- Opportunity set for global investments is much larger
- Diversification requirements
- None

Q3: Have you been directly encouraged by your government to invest more domestically?

Response	Percentage	Count
Yes, frequently	29%	14
Yes, occasionally	35%	17
No	37%	18

Sectors most frequently mentioned:

- Infrastructure (mentioned in 15+ responses)
- Housing/Real estate (mentioned in 8+ responses)
- Energy/Renewable energy (mentioned in 6+ responses)
- Venture Capital/Growth capital (mentioned in 5+ responses)
- Defense (mentioned in 2 responses)

Selected qualitative responses:

- “Broad range of sectors, mostly Housing & Energy. There have been encouragements but in a constructive way, as part of a dialogue between ‘supply’ and ‘demand’ where we need to jointly develop rules.”
- “Infrastructure, Real Estate.”
- “Venture Capital, Infrastructure, Green Economy transition”
- “Economic/Social Infrastructure, affordable housing”
- “UK private markets”
- “Infrastructure (water and electricity network) and Defense”

Q4: Have you worked successfully with your government on domestic investments?

Answered: 45 | Skipped: 5

Response	Percentage	Count
No	71%	32
Yes	29%	13

Selected qualitative responses from successful collaborations:

- “Constructive, patience is needed, also on the pension fund side to develop ways of working and a sensible term sheet for what investments to pursue.”
- “We have worked with the government to invest in the early-stage PE industry to support its development in our country. We engage closely with government to understand their priorities and have identified a number of potential investments, in some cases put forward investment proposals. The key challenges are changes in government priorities over time and striking terms that are commercially attractive.”
- “Co creation and early engagement with Government to invest in digital services PPP concession. Government had a pioneering mindset and followed through on commercialisations agreed through divestment process. In other cases, governments have subsequently not followed through on allowing commercialisation processes agreed and priced in a deal, due to political risk management.”
- “Productive, although with a longer lead time than other opportunities due to the need to align stakeholders.”

Q5: Which government(s), if any, have you found most effective in catalyzing private capital into domestic investments?

Selected qualitative responses:

- “The Dutch government on supporting impact investing.”
- “China”
- “Abu Dhabi”
- “Unclear how to answer this, other than governments that are open to commercialisation and private sector engagement and solutions. Governments that are inflexible, ideologically opposed to private sector investment or not willing to engage private sector for insights or solutions are less effective.”
- “We have been impressed by engagement with the Irish Strategic Investment Fund and discussions of the Canadian approach. We are hopeful of how the National Wealth Fund might evolve in the UK.”
- “Probably the USA. Large market. Strong legal protections. Limited government intervention in the economy.”
- “Australia”

Q6: Which sectors offer the most potential for future domestic investment by your organization? (Select up to 3)

Sector	Percentage	Responses
Infrastructure	86%	43
Renewable energy	64%	32
Digital infrastructure	42%	21
Affordable housing	38%	19
Healthcare and education facilities	22%	11
Natural capital or biodiversity	4%	2
Other	4%	2

Other responses specified:

- Knowledge Intensive Industries (Office/Lab/Mid tech industrial/Data centres)
- Energy and natural resources

Q7: Would a stronger domestic investment strategy enhance stakeholder trust or legitimacy for your fund?

Response	Percentage	Count
Yes, somewhat	33%	16
Unsure	31%	15
No	24%	12
Yes, significantly	12%	6

Q8: Any other comments or suggestions to help improve domestic investment frameworks?

Selected responses:

- “The short political cycle vs the longer time frames involved in investing creates challenges.”
- “Greater collaboration between funds in pooling capital through more efficient vehicles. The current approach is too fragmented across the UK pensions sector.”
- “Creating a win-win outcome where the government wins via delivery of new infrastructure/ social housing project and the investor is rewarded with a reasonable return (say 8%-10%) with long-term stability in regulatory framework upon delivery of asset (ensuring stable returns over the long-term) is required in my view if domestic investment is to work.”
- “A clear, holistic government strategy which considers the full life cycle of private and public equities, as well as considering the spaces and energy/digital infrastructure businesses need in order to thrive. Greater opportunities for co-investment, as well as fiscal incentives within key sectors (such as energy, healthcare, science and innovation).”
- “The Netherlands has a large pension sector relative to GDP, and regulations incentivize international diversification”
- “It always comes back to better data. Externalities and spillover effects are often difficult to measure, and we frequently ask ourselves: if we could fully capture the overall impact of each investment, what insights would we uncover? Our mission is to maximize returns while managing risk prudently, with financial materiality as our primary lens. The questions that guide us include: Does investing locally deliver materially higher financial returns for our beneficiaries? Which sectors or asset classes generate the greatest impact and value-add?”
- “Set a clear rationale for where and why home bias is favoured in some areas but not in others.”
- “The fund prefers not to commitment to allocations by geography or sector (although we have made a non-binding commitment offshore).”

- “We think that governments should focus on ensuring domestic investments provide an attractive risk/return profile rather than attempting to force investors to increase domestic allocations.”
- “The government making opportunities more attractive to institutional capital.”
- “There has to be a market for the volume required. Canada is very small market and there may simply just not be enough opportunities for all the large pension plans.”