



Development Finance Institutions

Victoria Pitman explores how development finance institutions invest in private equity.

Private equity investors are often an important source of capital for private sector investment in developing economies. A number of investors committing capital to these regions often focus heavily on development and sustainable investing. International Finance Corporation (IFC), an independent arm of the World Bank, is one such organization; it aims to finance private sector investment in emerging markets in order to encourage economic growth. The US-based government agency is looking to commit \$500mn across 20 to 25 private equity vehicles over 2013, an ongoing strategy that it looks to implement every year. So far in 2012, IFC has made commitments to funds focusing on opportunities in Africa, India, Russia and Eastern Europe, as well a venture capital fund focusing on rebuilding and recapitalizing Haitian businesses damaged by the 2010 earthquake.

Organizations with a developmental agenda, such as IFC, encourage growth in industries, while at the same time creating jobs by expanding companies. Fig. 1 shows the 10 largest development finance institutions (DFIs) by their allocation to private equity; the geographical spread of these institutions is particularly notable, with institutions located across Europe, North America, and Asia. The firms' current allocations to private equity provide significant amounts of capital to development and growth-focused investments. For example, European Bank for Reconstruction and Development, with an allocation to private equity of \$3.5bn, invests in small and medium companies in Central and Eastern Europe and the CIS region in order to help establish market economies and democracies. The bank was established in the early 1990s and it primarily invests in private enterprises, often alongside commercial partners, and provides project financing for new ventures, existing businesses, and the financial sector.

DFIs also often play a key role in supporting first-time fund managers in emerging markets. IFC is one such example, with more than half of all its private equity commitments being made to teams that have not raised a fund together before, many of which go on to become major players within their region, such as CDH China and GP Investimentos. A number of other DFIs also show support for first-time fund managers as part of their private equity investments; the African Development Bank views the support of local entrepreneurs as a key component of its role, with the Asian Development Bank and CDC Group taking similar standpoints. As Fig. 2 illustrates, 68% of investors that have previously invested in emerging markets either actively target first-time funds (including spin-offs), or would consider doing so if an attractive opportunity were to arise, compared with 62% of all private equity investors.

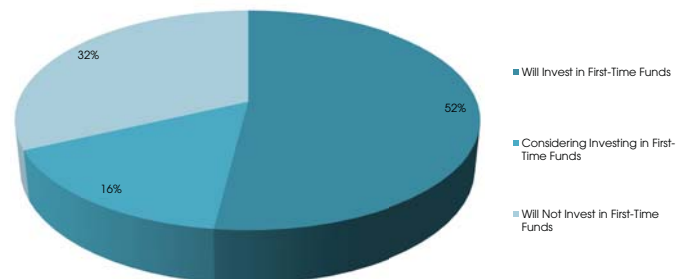
With many DFIs looking to invest capital in developing emerging economies, these investors provide an important source of capital for these regions and the private equity fund managers looking to raise capital for funds targeting them. In-flows of foreign capital to under-developed regions can provide much-needed liquidity to

Fig. 1: 10 Largest Development Finance Institutions by Allocation to Private Equity

Firm	Location	Current Allocation to Private Equity (\$mn)
CDC Entreprises	France	7,001
European Bank for Reconstruction and Development	UK	3,517
International Finance Corporation (IFC)	US	3,400
Overseas Private Investment Corporation	US	2,721
DEG	Germany	2,023
Korea Venture Investment Corporation	South Korea	1,500
Pension Benefit Guaranty Corporation	US	1,459
Netherlands Development Finance Company (FMO)	Netherlands	1,447
Norfund	Norway	1,289
Argentum Fund Investments	Norway	1,102

Source: Preqin Investor Intelligence

Fig. 2: Investors in Emerging Markets-Focused Private Equity Funds' Attitudes Towards First-Time Funds



Source: Preqin Investor Intelligence

important industries and sectors, while supporting and encouraging local entrepreneurs.

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Future Fund Searches and Mandates

The difference between success and failure in attracting institutional commitments can be the ability to identify which investors are most likely to be interested in your fund.

To help with this task, Preqin's Investor Intelligence now allows subscribers to identify likely investors in their fund by searching for institutional investors by their future investment plans.

Preqin updates these details by speaking directly to investors – saving you time and ensuring our intelligence is up to date and accurate.

- **Future Investment Plans** - Investor profiles include details of investors' future fund searches, detailing whether they are targeting specific private equity strategies and/or regions of focus, and also contain summaries of their plans for the next 12 months.
- **Future Fund Searches and Mandates** - Forward-looking search for all the institutional investors that are looking to invest in funds that match your criteria.
- Filter potential investors by location, investor type, fund type preferences for the next 12 months, regional preferences for the next 12 months, and likely timeframe for their next fund commitment.

Future Plans, Searches and Mandates Jump to...

Date of Plans: Q4 2012

Timeframe: Immediately

Next 12 Months:

Estimated Investments:	Estimated Amount (mn):
1-2	
Managers in Next 12 Months:	Mainly new managers, some existing managers

Fund Types Targeting: Buyout, Distressed Debt, Fund of Funds, Venture (General), Growth

Regions Targeting: Asia Pacific, Europe, North America, Emerging Markets

Summary: *Wellness Investor Fund* typically looks to make one or two commitments to private equity funds per year. It is looking to increase its exposure to direct funds in the future.

Private Equity

Fund Searches and Mandates

Select all required filter criteria

- Investor Type
- Investor Location
- Fund Type Preferences - Fund Searches and Mandates
 - Balanced
 - Co-investment
 - Distressed Debt
 - Early Stage: Start-up
 - Growth
 - Natural Resources
 - Timber
 - Venture Debt
 - Bridge Fund
 - Co-Investment Multi-Manager
 - Early Stage
 - Expansion / Late Stage
 - Hybrid
 - Secondaries
 - Turnaround
 - Buyout
 - Direct Secondaries
 - Early Stage: Seed
 - Fund of Funds
 - Mezzanine
 - Special Situation
 - Venture (General)
- Region Preferences - Fund Searches and Mandates
 - Asia Pacific
 - Europe
 - North America
 - Emerging Markets
 - Global
 - Rest of World
- Timeframe of Next Investment

Keyword Search:

Filter

Investor Name	Fund Types	Regions	Date Inserted
Asia Pacific, Distressed Debt, Growth, Secondary	Buyout, Growth	Asia Pacific	08/10/2012
Distressed Debt, Growth, Secondary			08/10/2012
Growth, Secondary			08/10/2012
Growth, Secondary		Europe	08/10/2012
Growth, Secondary, Venture (General), Seed, Early Stage: Start-up, Early Stage...	Growth	Asia Pacific	08/10/2012
Growth, Secondary	Buyout, Venture (General), Early Stage: Seed, Early Stage: Start-up, Early Stage...		08/10/2012
Growth, Secondary, Venture (General), Early Stage: Seed, Early Stage: Start-up, Early Stage, Growth...	Venture (General), Early Stage: Seed, Early Stage: Start-up, Early Stage, Growth...	Asia Pacific	08/10/2012
Secondary, Global	Secondaries	Global	08/10/2012

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