



Multilateral Development Institutions: Private Equity Operations

Dan Settel
Stanford University



The Islamic Development Bank

- 2001: US\$ 730 million IDB Infrastructure Fund
 - US\$ 100 million from IDB
- 2008: Private Equity Investment Platform in the Pipeline
 - US\$ 5 billion from IDB

Multilaterals & Private Equity Funds

- IFC is now a FOF
 - US\$ 1 billion
 - 100 Funds (over 80% Private Equity)
 - ADB, AfDB, IADB, EBRD
- EU has a private equity FoF - over EUR 4 billion
- Expanding Private Sector Operations
- 14 Multilaterals now have Private Equity Fund Investments in 5 Continents
- What are the goals of these programs? Are they being met? Why or why not?

Advantages of PE Funds

- Multiplier Effect
- Private Sector Expansion
- Capital Market Development
- Support SMEs
- Efficient Capital Deployment
- Infrastructure

Methodology

- Multilateral Annual Reports and Websites
- Interviews
- Quantitative Comparison
 - Size
 - Performance
 - Allocation
- Qualitative Comparison
 - Goals
 - Investment Strategy
 - Structure and Governance

Points of Interest

- Low IRR of some programs
- Are social & environmental safeguards of multilaterals passed down to PE Funds?
- Do PE funds share developmental, regional integration, pro-poor objectives of multilaterals?
- Should multilaterals be involved in private equity at all?