

\$10Bln Fund to Lure Global Buyout Firms

By [The Moscow Times](#)

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The government is setting up a \$10 billion fund aimed at boosting investment by overseas buyout firms in the country, two people with knowledge of the matter said.

Vneshekonombank is working with Goldman Sachs Group on the fund, which will invest in partnership with overseas private equity firms, said the people, who declined to be identified because the plan hasn't been disclosed yet.

The government is seeking to lure buyout firms such as Blackstone Group and Carlyle Group to invest in Russia, one of the nations where they are least active, one of the people said.

Leveraged buyout firms have led \$1.5 billion of takeovers this year in Russia, about half the \$2.9 billion of investments announced in China, according to data compiled by Bloomberg.

Carlyle, one of the world's biggest private equity firms, shut its Moscow office in 2005, a year after opening it, saying the country was too risky. Carlyle co-founder David Rubenstein last

week reiterated that Russia doesn't provide a good environment for investments.

"Russia has not proven to be a place where Western private equity investors can have the returns and realize the profits commensurate with the risks they've had to take," Rubenstein said at the Super Return conference in Berlin last week.

Yekaterina Karasina, a Moscow-based spokeswoman for VEB, didn't immediately return phone calls seeking comment. A Goldman Sachs official in London declined to comment. VEB chairman Vladimir Dmitriyev said March 1 that the bank was in talks with funds including Singapore's Temasek Holdings and China Investment to jointly finance investments in Russia.

Among the top global LBO firms, only Fort Worth, Texas-based TPG Capital is active in the country. TPG partnered with VTB Capital, the investment arm of the country's second-largest bank, to buy 35.4 percent of retail chain Lenta. The investors are embroiled in a legal dispute with Svoboda, Lenta's largest shareholder, over control of the retailer.

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